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Investment Company Institute
1986 Mutual Fund Fact Book

Investment Company Institute
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How to Use This Book

The 1986 Mutual Fund Fact Book is a basic guide to the trends and statistics leading to the industry's record year of 1985.

Things you should know: As you use the Fact Book, keep in mind that the industry tends to divide its statistics into two camps: long-term funds (stock, bond and income funds) and short-term funds (money market and short-term municipal bond funds). Remember that as you use the information throughout the text and the statistical data in the Fact Book. To obtain the total industry picture, refer to the notes at the bottom of the tables in the Statistical Data sections (the blue pages). If you are in the Long-Term Funds section, for example, a note at the bottom of the page will refer you to comparable short-term data or total industry data, when applicable.

The section containing total industry data is a new feature in this year's Fact Book. Found in Section I of the Statistical Data, it includes information on total industry shareholder accounts, assets and number of funds. (This section does not provide total sales figures which would combine long-term and short-term fund sales. Due to the special nature of short-term funds and the huge inflows and outflows of money they experience, it would be misleading to add their sales figures to those of the long-term funds.)

Also new this year is a reclassification of the industry's investment objectives into more well-defined categories. The new fund categories include international, precious metals, government income, Ginnie Mae and single-state municipal bond—bringing the total number of fund categories to 15. These new categories have been recalculated back to 1984 so all tables involving data broken down by investment objective include only 1984 and 1985. (The data for these new categories were previously included in a variety of the 10 already existing categories.)

The Text and the Statistical Data: The Fact Book is divided into two main parts—the text and the Statistical Data.

The first part of the book—the text—is designed to cover basics in the history and development of the industry, some descriptions of key benefits and features of mutual funds and up-to-the-minute looks at 1985 trends in mutual funds. A series of charts, graphs and tables help illustrate some of the latest trends and help the reader compare 1985 to prior years' activity. For help in locating specific charts, graphs and tables found in the text portion of the book, refer to the index on page 97.

The Statistical Data section (the blue pages) begins with a specialized Table of Contents of its own in an attempt to make it easy to find the specific information needed.

Within the Statistical Data, each table is clearly labeled with the section under which it falls (e.g.: Industry Totals, Long-Term Funds, Short-Term Funds, etc.). If you cannot find the data you need by using the Statistical Data's Table of Contents, please refer to the index on page 97.

1985: A Year Of Records

The U.S. economy continued to grow during 1985, although at a sluggish pace. While economic growth was not strong enough to significantly reduce the under-utilization of labor and capital resources, slow sustained expansion did help create an environment that proved highly favorable to financial markets. With prices of equity and long-term debt instruments rising, particularly in the latter part of the year, investor demand for stock, bond, and income funds rose sharply.

In the first half of 1985, Gross National Product, adjusted for inflation, (real GNP) increased at a rate of only 1.0 percent after growing at a 3.0 percent rate in the last half of 1984. The reduced growth rate occurred because a decline in the value of inventories and a further worsening of the nation's export position largely offset a moderate increase in spending by governments, businesses and consumers. Economic growth quickened after mid-year, although gains in the final months were far from robust.

While slow growth contributed to a number of economic problems, it did have some positive effects. The U.S. inflation rate, for example, was kept in check by the slack in the economy combined with the impact of the strong dollar on prices of imports and import-competing goods. Prices were also dampened by favorable performances of food and energy prices. As a result, consumer prices rose less than 4.0 percent during 1985.

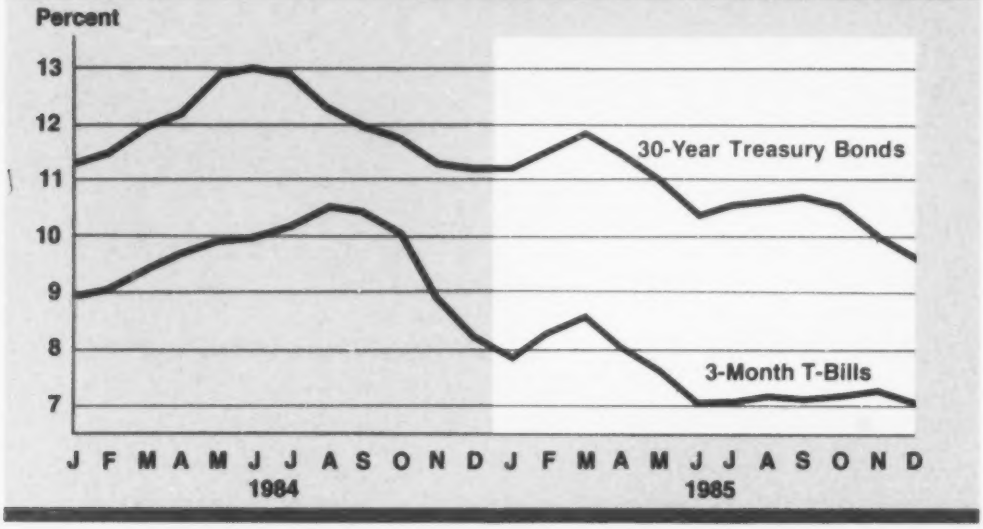
With inflation under reasonable control and the economy sputtering, Federal Reserve money and credit policies continued in an expansionary mode throughout the year. The major monetary aggregates scored significant gains and M1, the narrowly defined money supply, grew at an annual rate of around 12.0 percent, more than twice the increase of the previous year. On the international front, the Federal Reserve sought to bring the dollar into closer alignment with foreign currencies. After late September, the Fed's efforts were coordinated with the actions of the central banks of other key countries and pursued more aggressively. By the end of 1985, the value of the dollar had fallen by about 25 percent from its high.

Interest rates reached their peak during the first quarter of 1985 due in part to a strong demand for business credit. The weak performance of the economy, a drop in the demand for business loans, and a cut in the Fed's discount rate were factors bringing down interest rates in the second quarter. After mid-year, short-term interest rates fluctuated in a narrow range, while long-term rates declined.

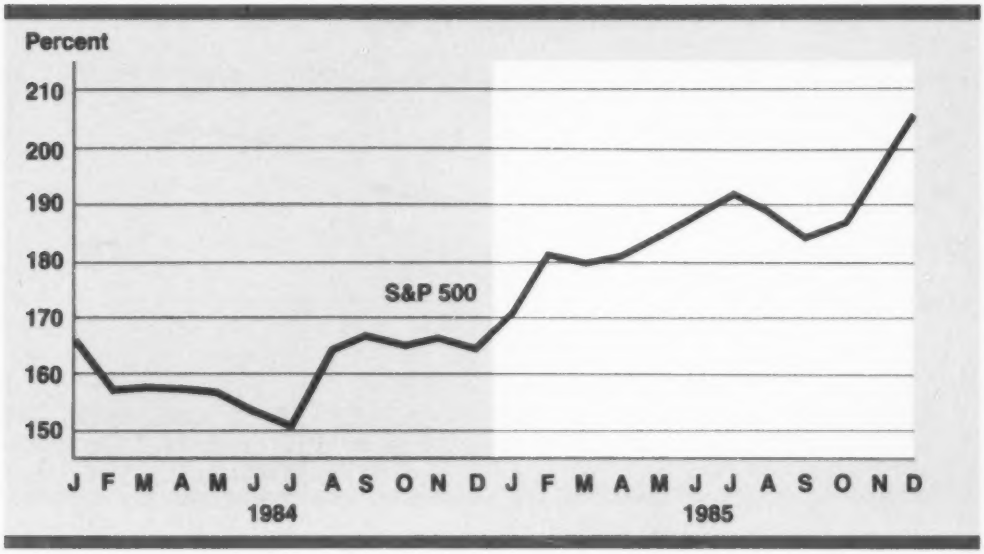
Stock prices, as measured by the S&P-500, reacted to the drop in interest rates. After a period of sluggishness in the spring, stock prices rose through July. Following another adjustment, prices continued their upward trend. The net asset values of stock mutual funds also soared and, for the full year, the average return on all equity mutual funds—capital gains and dividends reinvested—totaled 28.0 percent. Bond and income funds likewise generated attractive total returns.

The "pull" of high total returns on stock, bond and income funds combined with the "push" of declining short-term

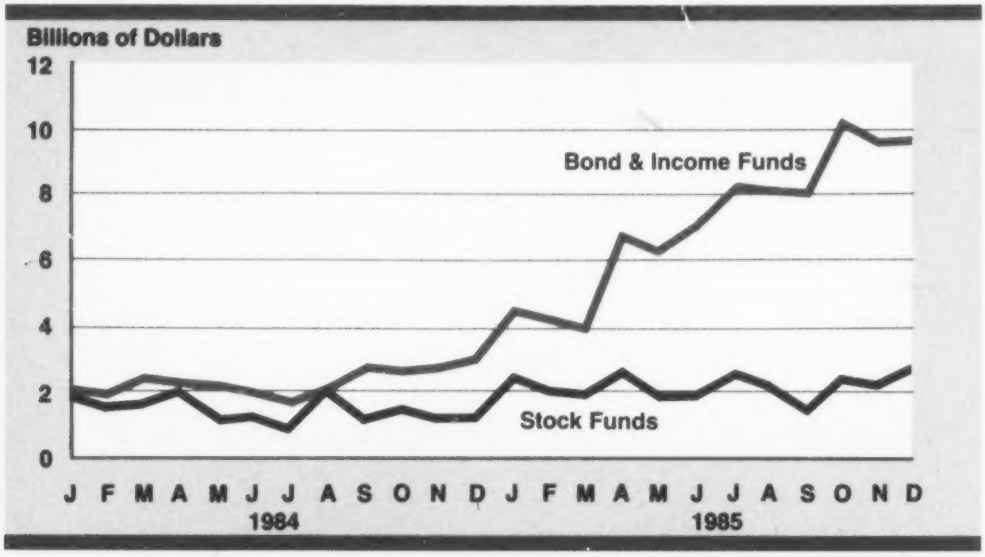
Interest Rates



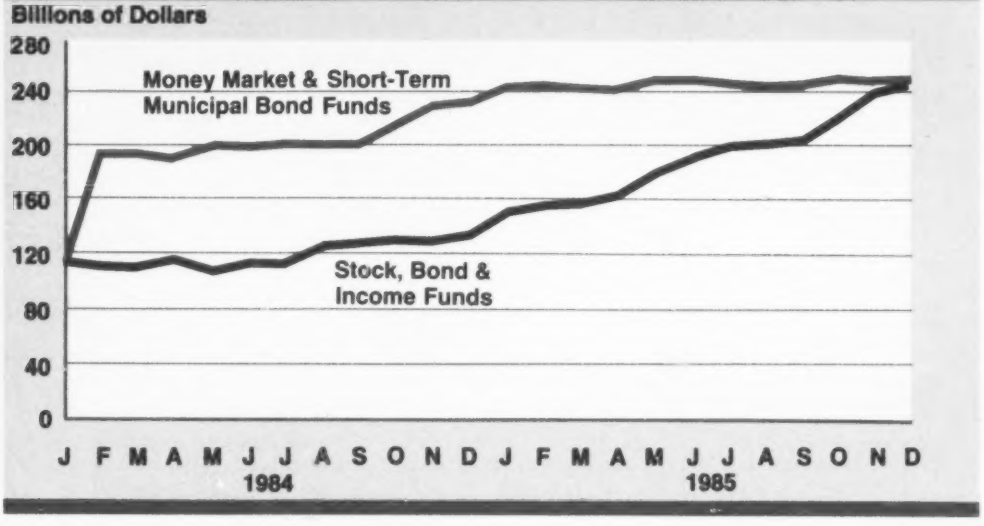
Stock Prices



Mutual Fund Sales



Mutual Fund Total Net Assets



interest rates, prompted investors to buy stock, bond and income funds in record volume. Last year, total sales of these funds amounted to $114.3 billion, almost three times the volume in 1984 and more than eleven times the sales level at the beginning of this decade.

The major contributors to these record-breaking sales were bond and income funds. This group includes corporate, long-term municipal, and government bond funds, as well as Ginnie Mae (GNMA) and income funds. Their combined sales totaled $87.5 billion in 1985, compared with $27.7 billion a year earlier. Early in the '80s, sales of bond and income funds hovered around $4 billion a year.

Sales of equity funds also turned in a record-breaking performance in 1985. Sales hit $26.8 billion, 47.3 percent above 1984 and 21.3 percent above the previous record of $22.1 billion in 1983. Sales of all types of equity funds rose last year, although aggressive growth funds were at the head of the sales parade.

Net sales of stock, bond and income funds amounted to $80.5 billion, another record. Almost nine-tenths of this total represented net sales of bond and income funds. Stock funds accounted for the remainder. Huge net sales for these funds, along with capital appreciation, combined to increase assets from $137.2 billion to $251.7 billion.

The assets of short-term funds also rose last year, climbing from $233.5 billion to $243.8 billion. This gain reflects different trends within the short-term sector. The assets of money market funds actually fell $2.2 billion. This drop, however, was more than offset by an increase in the assets of short-term municipal bond funds from $23.8 billion to $36.3 billion.

Total assets of all types of funds expanded by almost $125 billion in 1985 and ended the year with close to a half trillion dollars under management ($495.5 billion). This represents a fivefold increase since the end of the last decade and makes mutual funds the fastest growing segment of the financial services business.

After briefly reviewing major trends in the fund industry, it is clear that most key indicators have moved far beyond all historical levels of comparison. In fact, 1985 was a record year for breaking records in the mutual fund business.

Mutual Funds Net New Money Flow Related to Net New Money Flow from Individuals to Savings and Investment Vehicles

(In Billions of Dollars)

Year	Net New Money To Savings and Investment Vehicles[1]	Net New Money To Mutual Funds[2]	Mutual Funds Net New Money as a Percent of Total
1960	$ 32.5	$ 1.3	4.0%
1965	59.0	2.4	4.1
1970	78.8	1.6	2.0
1975	174.4R	0.5	0.3
1980	326.3R	31.4	9.6R
1981	353.2R	109.6	31.0R
1982	383.8R	37.6	9.8R
1983	438.3R	−18.2	–
1984	535.3R	73.0R	13.6R
1985	539.1	88.9	16.5

[1]From the "FRB Study of the Volume and Composition of Individuals' Savings" as reported in the Statistical Bulletins. Seasonally adjusted annual rates of individuals' savings.
[2]Investment Company Institute reporting companies, including money market funds.
R – Revised

What is a Mutual Fund?

The Basics

A mutual fund is a company that makes investments on behalf of individuals and institutions with similar financial goals.

Pooling is the key to mutual fund investing. It enables thousands of investors—each with a different amount to invest—to gain access to the expertise of the country's top money managers, wide diversification of ownership in the securities markets and a variety of services otherwise available only to the most wealthy families and institutions.

Professional money managers take this pool of money and invest it in a variety of stocks, bonds or other securities selected from a broad range of industries and government agencies and authorities. They seek to select securities that best meet the investment objectives of the particular fund they manage. Based on their extensive research, they make the decisions on when to buy, when to sell, when to hold.

The investment objective set forth by the fund is important as a guideline to both the manager and the investor. The fund manager uses it as a guide when choosing investments for the fund's portfolio and investors use it to determine which funds are suitable for their own needs. Mutual funds' investment objectives cover a wide range, from those willing to take higher risks in the search for higher returns to those which seek immediate income from more stable investments. The Investment Company Institute divides mutual funds into 15 major categories of investment objectives. (For a definition of each, see pages 8-9.)

To achieve these objectives, fund managers may invest in as many as 50 to 100 different securities, seeking diversification among companies and industries in order to reduce investment risk. The object: avoid putting all eggs in one basket. In effect, each investor within the fund owns a proportionate share of each of those securities. When those securities appreciate in value or pay out dividends or interest, all the fund's investors reap their precise percentage. Investors who put $1,000 into the fund get the same rate of return as the ones who put in $10,000.

Mutual funds can make money for their shareholders in three ways. One, they pay their shareholders dividends and interest earned from the fund's investments. Two, if a security held by a fund is sold at a profit, funds pay their shareholders capital gains distributions. And three, if the value of the securities held by the fund increases, the value of each mutual fund share increases proportionately.

For example, if a fund's investment objective is current income, it will invest in stocks or bonds which produce current dividends or interest. The fund turns around and pays its shareholders dividends from those earnings.

Capital gains are realized when a fund sells a security for a higher price than it originally paid. The fund usually passes that gain on to its shareholders as a capital gains distribution. (If not, investors profit from an increased value of their fund shares.)

Shareholders can have dividends and capital gains distributions reinvested in additional shares of the fund or can have the fund send them a check for the amount of earnings.

If the securities held in the fund's portfolio increase in value, but the fund holds on to these securities instead of

selling them, this increases the value of the fund's total portfolio and thus the fund's price per share.

When investors pool their money in a mutual fund, their dollars go to buy shares in that fund. To determine the price of these shares, at the end of each business day the fund adds up the value of all securities held in its portfolio and divides it by the number of shares outstanding. Unlike a traditional corporation, mutual funds can issue an unlimited number of shares. In addition, shareholders have the right to redeem part or all of their holdings at any time. So each day, the fund must determine the value of its portfolio and how many shares are outstanding. That simple calculation gives the fund its Net Asset Value or NAV. The NAV is important both when the fund shareholder is redeeming shares and when purchasing new shares because it represents the value of a single share in the fund. For individual fund shareholders to determine the value of their holdings, they simply multiply the number of shares they own by the NAV. This is important because though the NAV may not seem to change much over time, dividend and capital gain reinvestment can go toward buying many more shares than originally purchased. So even if the price of shares does not change a great deal, the fact that so many more of them are owned can increase the value of the shareholder's investment.

Under the Internal Revenue Code, mutual funds which observe certain guidelines serve as conduits through which the capital gains, dividends, interest and other income flow from the securities held in the portfolio to fund shareholders. Ordinarily mutual funds pay no tax on this income. Instead, individual shareholders treat dividends and capital gains received from the fund exactly as they would had they bought and sold securities themselves without the fund serving as an intermediary.

For tax purposes, shareholders receive from the fund a year-end statement telling clearly what part of the money distributed to them represents ordinary income and long-term capital gains. They also receive from the fund regular statements that not only tell them how their own investments are doing but also reports on the progress of the fund, its portfolio holdings, expenses, changes in management, and other relevant data.

How a Fund is Organized

A management company may offer one mutual fund or even five, ten or more funds, each with a different investment objective.

When a new fund is established, it enters into a contract with an investment adviser (usually the sponsoring organization) to manage the fund and to select its portfolio. The investment adviser is usually paid for its services in the form of a fee that is based on the total value of assets under management. (Usually management fees average around one-half of one percent.) Funds may also contract with a principal underwriter. The principal underwriter of a mutual fund arranges for the distribution of the securities issued by the fund to the investing public.

Fund shares are distributed to the public in a variety of ways. There are two basic avenues, however: funds which market their shares directly to the public and those which market their shares through a sales force. Funds which market shares directly to the public often use advertising and direct mail to reach investors. Their shares are usually distributed with a low or no sales commission. In some funds, distribution costs come out of a small percentage of fund assets specially designated to support distribution efforts. Fund shares marketed through a sales force are available through independent brokers, financial planners, insurance agents and, in some cases, through a sales force employed by a fund organization specifically to market the shares of its associated funds. These sales people can be compensated for their services to the investor through a direct sales commission included in the price at which the fund's shares are offered and/or

through a distribution fee paid by the fund.

All mutual fund activities are highly regulated. Mutual funds are required to be registered with the United States Securities and Exchange Commission pursuant to the Investment Company Act of 1940. The activities of mutual funds and their relationship with the public are all subject to regulation under the Act and other federal securities laws. (See "Regulation and Taxation" chapter.)

Types of Mutual Funds

Aggressive Growth Funds seek maximum capital gains as their investment objective. Current income is not a significant factor. Some may invest in stocks that are somewhat out of the mainstream such as those in fledgling companies, new industries, companies fallen on hard times, or industries temporarily out of favor. They may also use specialized investment techniques such as option writing or engage in short-term trading.

Growth Funds invest in the common stock of more settled companies but, again, the primary aim is to produce an increase in the value of their investments rather than a steady flow of dividends.

Growth and Income Funds invest mainly in the common stock of companies with a longer track record that have the expectation of a higher share value but also have a solid record of paying dividends.

Precious Metals Funds invest in the stocks of gold mining companies and other companies in the precious metals business.

International Funds invest in the securities of foreign companies. Global funds, a segment of the international fund category, may also invest in U.S. securities.

Balanced Funds generally have a three-part investment objective: 1) to conserve the investors' initial principal, 2) to pay current income, and 3) long-term growth of both principal and income. They aim to achieve this by owning a mixture of bonds, preferred stocks and common stocks.

Income Funds seek a high level of current income for their shareholders. This may be achieved by investing in the common stock of companies which have good dividend-paying records. Often corporate and government bonds are also part of the portfolio.

Option/Income Funds seek a high current return by investing primarily in dividend-paying common stocks on which call options are traded on national securities exchanges. Current return generally consists of dividends, premiums from writing call options, net-short-term gains from sales of portfolio securities on exercises of options or otherwise, and any profits from closing purchase transactions.

U.S. Government Income Funds invest in a variety of government securities. These include U.S. Treasury bonds, federally guaranteed mortgage backed securities and other government notes.

(Continued on next page)

Types of Mutual Funds *(Continued)*

GNMA or Ginnie Mae Funds (Government National Mortgage Association) invest in government backed mortgage securities. To qualify for this category, the majority of the portfolio must always be invested in mortgage backed securities.

Corporate Bond Funds, like income funds, seek a high level of income. They do so by buying bonds of corporations for the majority of the fund's portfolio. The rest of the portfolio may be in U.S. Treasury and other government entities' bonds.

Municipal Bond Funds invest in bonds issued by local governments —such as cities and states—which use the money to build schools, highways, libraries and the like. Income earned on these securities is not taxed by the federal government. The mutual fund buys the municipal bonds and then passes the tax-free income through to fund shareholders.

Single State Municipal Bond Funds work just like other municipal bond funds except their portfolios contain the issues of only one state. The advantage for a resident of that state is that income is free of both federal and state tax.

Money Market Mutual Funds invest in the short-term securities sold in the money market. (The money market is where large companies, banks and other institutions invest their surplus cash for short periods of time.) In the investment spectrum these are generally the safest, most stable securities available and include Treasury Bills, certificates of deposit of large banks, and commercial paper (the short-term IOUs of large U.S. corporations).

Short-Term Municipal Bond Funds invest in municipal securities with relatively short maturities. They are also known as tax-exempt money market funds.

Historical Background

The mutual fund industry has come a long way in the United States since the first fund was organized in Boston in 1924.

That fund, and those that followed, were derived from a concept that originated in England. As a matter of fact, money invested in British and Scottish investment companies (or trusts, as they are known there) contributed to the financing of the American economy after the Civil War. Investors in these British companies financed U.S. farm mortgages, railroads and other industries.

As the young United States began to mature in the early 1920s, many types of financial institutions began to spring up, offering Americans wider avenues for investment. Even investors of modest means were looking for diversification and professional management and several companies, mostly located in New York, Boston and Philadelphia, tried to meet those needs. Soon, these bankers, brokers and investment counselors were joined by mutual funds.

But shortly after the first funds were organized, the market crash of 1929 came. Though many of the efficiently managed investment companies maintained their pattern of growth and service, the closed-end funds were particularly hard hit from the effects of the declining market. The outcome: investors turned to the open-end investment companies—to mutual funds. The industry began to expand.

In 1936, under a Congressional mandate, the Securities and Exchange Commission undertook a special study of investment companies which culminated in the Investment Company Act of 1940. The industry people who worked closely with the SEC on drafting the 1940 Act thought it advisable to form a permanent committee to cooperate with the SEC in formulating the rules and regulations necessary to the proper functioning of the Act. The committee also proposed to keep informed of any trends in state and federal legislation affecting mutual funds. It was called the National Committee of Investment Companies.

As the responsibilities and activities increased, it was decided in October 1941 to change the name to the National Association of Investment Companies. The organization, based in New York, took on the responsibilities of public education, liaison with the SEC, the monitoring of tax and other legislation affecting mutual funds as well as being a strong influence in maintaining high standards in the industry. The NAIC changed its name to the Investment Company Institute in 1961 and moved to Washington, D.C. in 1970.

The industry it represents has gone through many changes since the '40 Act. At that time, there were only 68 mutual funds in existence with $448 million in assets and 296,000 shareholder accounts. It was an industry primarily providing a way to invest in the stock market. There were some funds investing in bonds, but these weren't a significant force until many years later.

The industry moved along steadily until the 1970s. By this time, there were 400 funds with assets of about $40 billion. And in the early 1970s, a new concept changed the nature of the industry—the money market fund. This novel concept allowed the small investor to participate in the high short-term interest rates of the money market that

previously were available only to major institutions and the wealthy.

The idea cracked the mold in many respects. First, new investors who had never been in mutual funds gave these money market funds a try. Some of these people had never had their money in anything but 5¼-5½ percent passbook accounts. Many learned the value of the mutual fund concept and 30 percent of all mutual fund investors say, in fact, they got their start in mutual funds with a money market fund. Second, the money market funds sparked a surge of creativity in the industry. What followed were municipal bond funds in 1976 (achieved in the legislation of the Tax Reform Act of 1976), option/income funds in 1977, government income and Ginnie Mae funds in the early 1980s and specialty or sector funds throughout that period. At the end of 1985, there were more than 1,500 mutual funds with assets of $495 billion dollars. The industry continues to grow and prosper, providing investment diversification and professional management to 35 million individual investors.

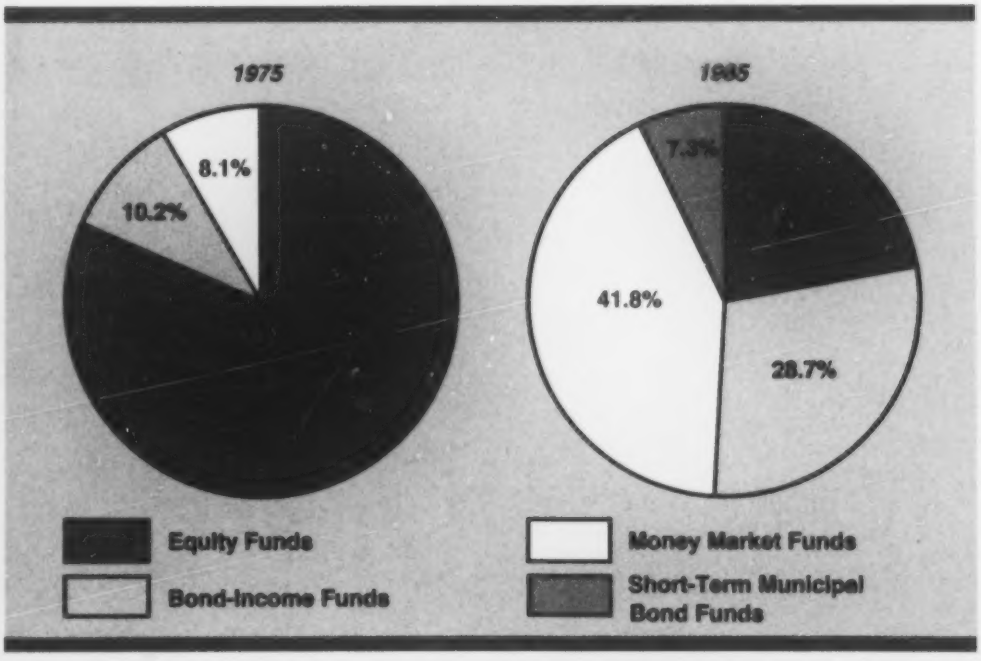
Growth and Development

The mutual fund industry is now a diversified financial industry able to respond to varied investment climates and investor demands. That was not always the case. Ten years ago, money market funds had just entered the market, accounting for only 8 percent of mutual fund assets. At the same time, equity funds held 71 percent of the assets.

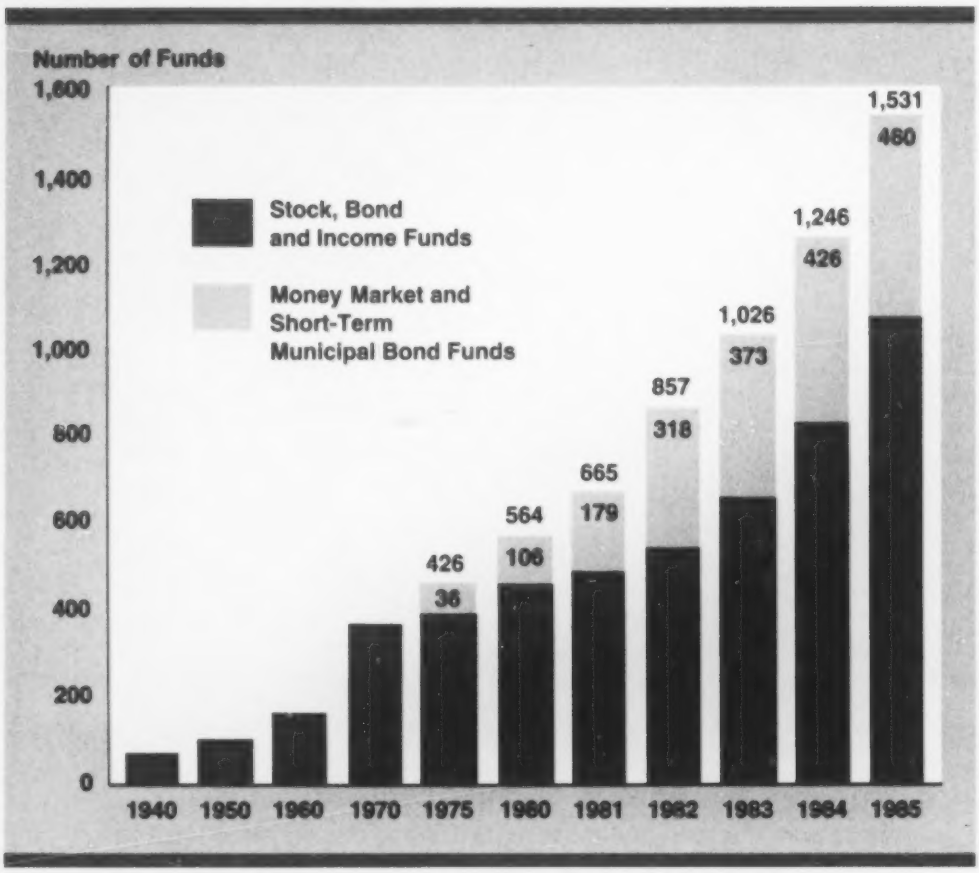
By 1980, that had changed. Money market funds (combined with their new tax-exempt version—short-term municipal bond funds) comprised 57 percent of all mutual fund assets. Equity funds represented 30 percent of assets and bond-and-income funds had only 13 percent.

Since then, further changes have occurred. Now, for the first time in the history of the industry, bond-and-income funds have a bigger share than equity funds: 29 percent vs. 22 percent. Meanwhile, short-term funds have fallen back to less than half of all assets—standing at 49 percent at year-end 1985.

Percent Distribution of Total Net Assets By Type of Fund



Number of Mutual Funds

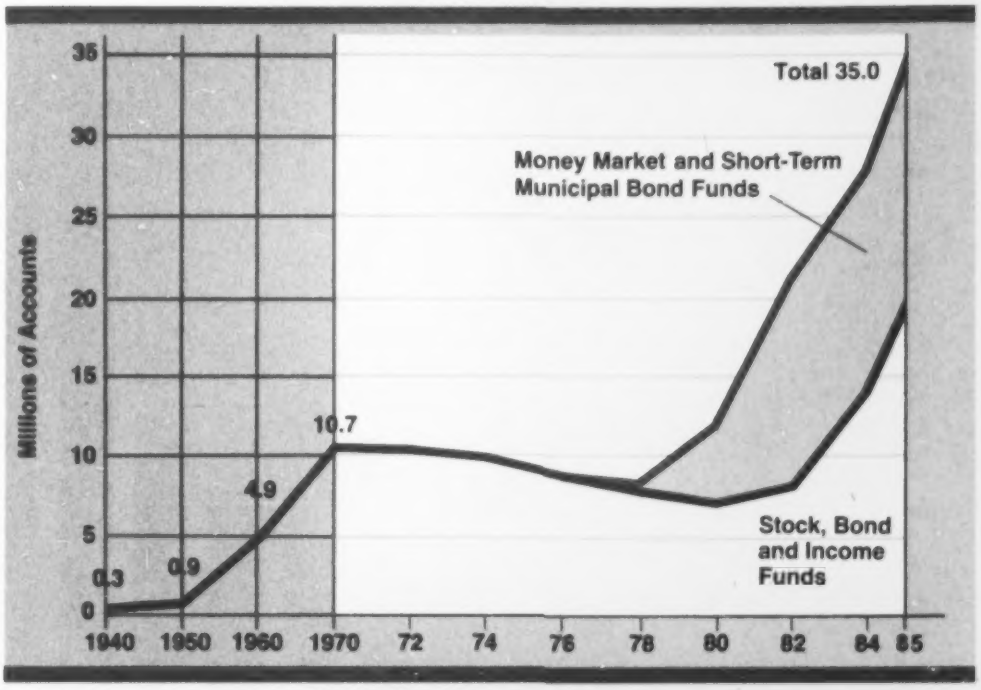


Total assets have skyrocketed in these five short years. Money market fund assets have gone from $74.5 billion in 1980 to $207.5 billion at the end of 1985. Short-term municipal bond fund assets grew from $1.9 billion in 1980 to $36.3 billion. Equity funds had $41.0 billion in 1980 and are now at $109.6 billion in assets. The bond-and-income fund category has soared from $17.4 billion to $142.1 billion at the end of 1985. Combined assets at the end of 1980 were $134.8 billion. On December 31, 1985, they were $495.5 billion.

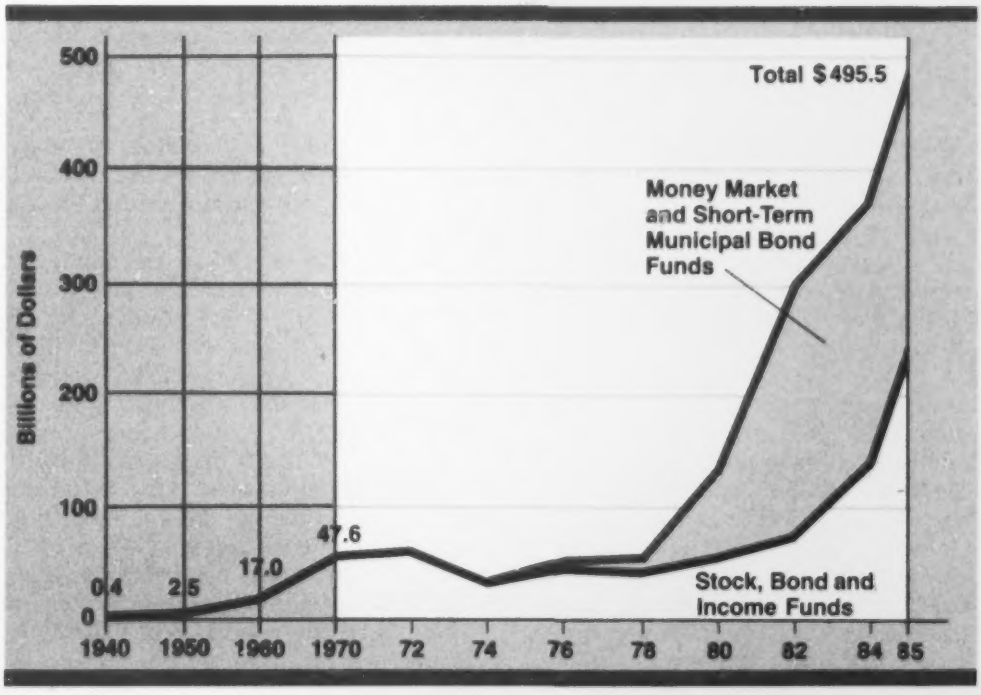
A substantial change has also taken place over the years in the number of funds available to investors. In just one decade, the number of funds had almost quadrupled—from 426 funds in 1975 to 1,531 funds at the end of 1985. The increasing variety and number of funds exemplifies the enormous change that has occurred in the mutual fund industry.

In the 1950s and 1960s, the industry's historic concentration in equity funds was reflected in an enormous growth in sales and assets of the funds. This growth occurred in a period when stock prices were steadily climbing upwards with only slight interruptions. However, from 1968 to 1974, a volatile stock market, rising interest rates, inflation and other economic and financial uncertainties heightened investor concern about risks associated with equities and dimmed the perception of the funds' potential returns. Consequently, investors stepped away from stocks and equity mutual funds and moved toward

Mutual Fund Shareholder Accounts



Assets of Mutual Funds



Sales, Redemptions and Assets
Equity, Bond and Income Funds

(Billions of Dollars)

Year	Sales	Redemptions	Net Sales	Assets
1970	$ 4.6	$ 3.0	$ 1.6	$47.6
1971	5.1	4.8	0.3	55.0
1972	4.9	6.6	(1.7)	59.8
1973	4.4	5.7	(1.3)	46.5
1974	3.1	3.4	(0.3)	34.1
1975	3.3	3.7	(0.4)	42.2
1976	4.4	6.8	(2.4)	47.6
1977	6.4	6.0	0.4	45.0
1978	6.7	7.2	(0.5)	45.0
1979	6.8	8.0	(1.2)	49.0
1980	10.0	8.2	1.8	58.4
1981	9.7	7.5	2.2	55.2
1982	15.7	7.6	8.1	76.8
1983	40.3	14.7	25.6	113.6
1984	45.9	20.0	25.9	137.1
1985	114.3	33.8	80.5	251.7

Money Market Mutual Funds

(Billions of Dollars)

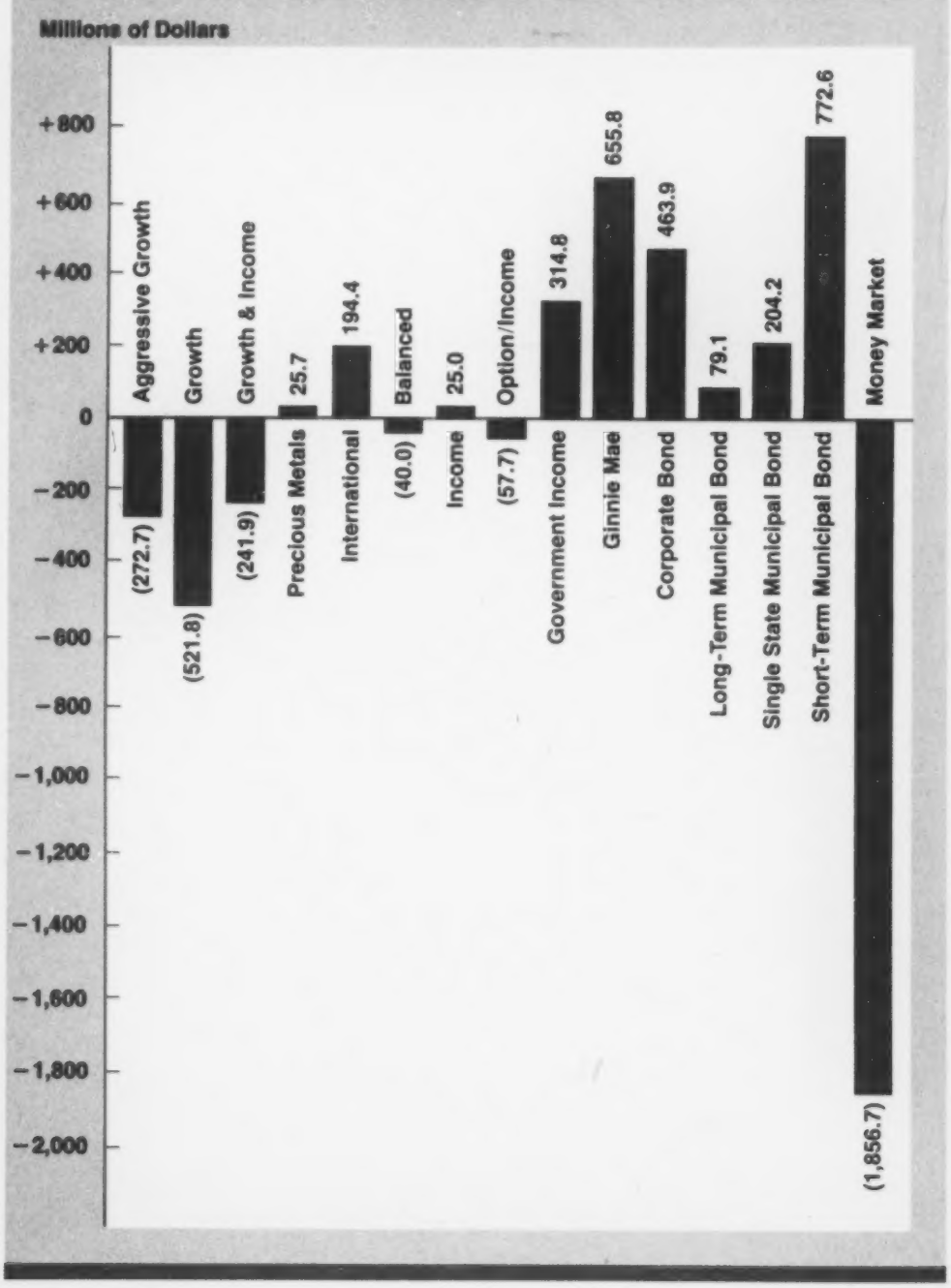
Year	Sales	Redemptions	Net Sales	Assets
1974	$ 2.2	$ 0.5	$ 1.7	$ 1.7
1975	6.7	5.9	0.8	3.7
1976	9.4	9.6	(0.2)	3.7
1977	10.7	10.7	0.0	3.9
1978	30.5	24.3	6.2	10.9
1979	111.9	78.4	33.5	45.2
1980	232.2	204.1	28.1	74.4
1981	451.9	346.7	105.2	181.9
1982	581.8	559.6	22.2	206.6
1983	463.0	508.7	(45.7)	162.5
1984	572.0	531.1	40.9	209.7
1985	730.1	732.3	(2.2)	207.6

Short-Term Municipal Bond Funds

(Billions of Dollars)

Year	Sales	Redemptions	Net Sales	Assets
1979	$ 0.6	$ 0.4	$ 0.2	$ 0.3
1980	5.3	3.8	1.5	1.9
1981	10.5	8.3	2.2	4.2
1982	29.4	22.2	7.2	13.2
1983	44.5	42.4	2.1	16.8
1984	62.3	55.9	6.4	23.8
1985	109.4	98.8	10.6	36.3

Net Exchanges by Investment Objective—1985



the relative safety of short-term liquid assets.

During the mid-1970s, when investor demand for equity products was in a state of decline, the industry embarked on a marketing strategy to broaden its product line and encourage use of the exchange feature. To this end, it introduced money market funds, municipal bond funds and new versions of standard stock and bond funds such as international funds, precious metal funds, and, more recently, Ginnie Mae and government income funds. In the process, it transformed itself into a diversified financial business capable of providing a variety of benefits to both investors and institutions.

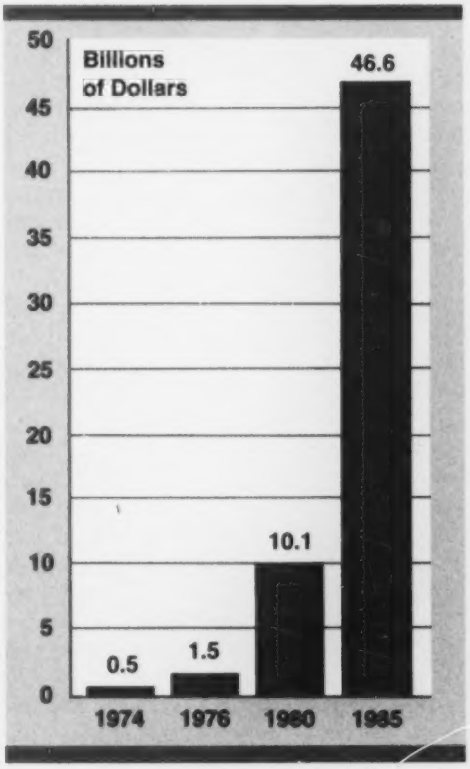
While the process of reshaping the fund industry was several years in the making, the cumulative impact of the elements within the marketing strategy have come together in recent years. Yearly sales of money market funds have more than tripled since 1980 and short-term municipal bond fund sales are 20 times their 1980 level. Sales of equity and bond funds have continued to create new record levels since the early '80s, partly due to investor recognition of the excellent performance of both types of funds.

Investors also show an increased awareness of the exchange privilege which allows mutual fund shareholders to exchange shares from one fund to another within a group of funds under common management. This awareness along with highly volatile financial markets have encouraged investors to be flexible in the handling of their personal portfolios and have produced an enormous increase in exchange activity.

In 1985, for example, exchanges into all types of mutual funds totaled $46.6 billion, more than four times the level at the start of the decade. As shown in the accompanying chart, total exchanges remained below $1.0 billion until 1976 when they reached $1.5 billion. Since that date, exchanges have risen at a phenomenal rate. The activity is concentrated in the shifting between the long-term equity and bond funds and the short-term money market funds as investors adjust their assets in line with their changing needs and to reflect their view of current market conditions.

In a relatively short period of time, mutual funds have become the nation's fourth largest type of financial institution. Only commercial banks, savings and loan institutions and insurance companies are larger in size.

Sales Exchanges
All Types of Mutual Funds



Responding to Investor Needs

One of the hallmarks of the mutual fund industry is its responsiveness in a rapidly changing economic environment.

By keeping attuned to investor needs, the mutual fund industry has been able to adapt and expand its product line and services to suit just about any investor's desires.

The investor's choice of funds and investment objectives has grown dramatically as a result. In 1975, mutual funds fit neatly into seven major categories of investment objectives. By the end of 1985, the seven fund categories had grown to 15 main categories with a large number of funds defining their investment objectives according to industry sectors, geographical limitations or business philosophies. The total number of funds available almost quadrupled in that time.

With this wide range of alternatives, the often-heard phrase "today, there's a mutual fund to meet every investor's needs" is not an exaggeration. It's a reality.

Once satisfying the important function of providing the necessary investment objectives, the industry's next priority is service. In addition to the overall advantages provided by the general structure of mutual fund companies (described on pages 6-9, "What is a Mutual Fund"), funds offer a variety of other conveniences.

Most important is probably the affordable entry level into a fund investment. Each fund establishes a minimum amount it takes to make the first investment and then how much it takes to add more. There are some funds with very low or no minimums at all. Others have minimums of $2,500 and up. The great majority fall somewhere between $250 and $1,000.

The funds try to make investing as easy as possible. Most have payroll deduction plans to take the effort out of making regular investments.

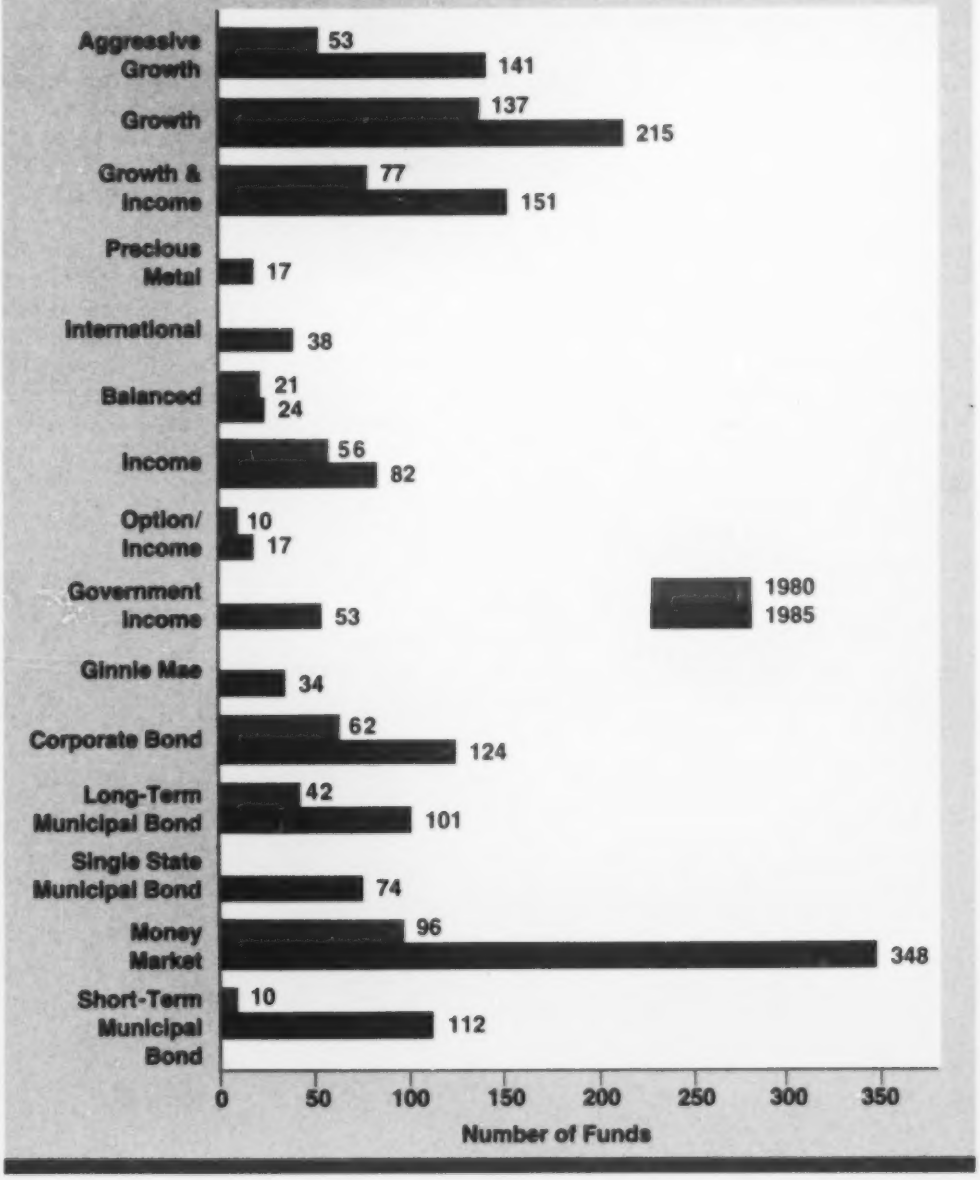
Mutual funds also offer automatic reinvestment programs in which shareholders can elect to have any dividends or capital gains distributions invested back into the fund by automatically buying new shares. This results in systematically expanded holdings.

A similar program can work for automatic withdrawal, as well. Arrangements can be made with the fund to automatically send checks from the fund's earnings or principal to the shareholder or anyone else designated by the shareholder.

Even if a shareholder is not utilizing a regular withdrawal plan, the fund makes it easy to withdraw money. By law, it must redeem any or all shares on any business day. All that is needed is proper notification and the fund will send a check. Even easier is shareholders' ability to write checks from their money market fund account. Most funds have minimum check amounts of $500 but it is a convenient way to redeem shares instantly.

If shareholders don't want to take this money back but want to get into a different type of fund, an exchange privilege can be utilized. Many management companies (often called families of funds) offer more than one fund to their investors so that they can choose from a variety of investment objectives appropriate for different needs and economic climates. An exchange privilege allows the shareholder to contact the fund or a representative of the fund at any time

Number of Mutual Funds Classified by Investment Objective



to exchange shares from one type of fund within the family to another.

Most investors take advantage of the exchange privilege to move from one investment objective to another when they find that their own particular circumstances and needs change or if the economic climate is changing. Usually funds allow investors to use an exchange privilege several times a year for a low or no fee per exchange.

When a shareholder exchanges shares, writes a check from a money market fund or even makes an investment, a statement will be sent to confirm each transaction. Mutual funds have long been noted for their convenient record-keeping. In addition to normal confirmation statements, the fund sends account updates on a monthly, quarterly or annual basis, depending on the fund.

The mutual fund, in addition to filing periodic reports with the SEC, informs shareholders regularly on the operations of the fund and what is being done with their money. Complete information is supplied to shareholders twice a year, and, for most companies, four times a year. These reports list the names and the amount of securities held by the fund. They also show the major changes in investment since the last report, and contain financial statements, among other details.

The mutual fund industry tries to stay in tune with the needs of its current and future shareholders and prospective investors. Healthy competition ensures that the mutual fund industry will continue to develop convenient new services to handle the day-to-day needs of mutual fund shareholders.

Professional Management

Professional money management is one of the key features that draws investors to mutual funds. It seems even more important today when individuals are finding it increasingly difficult to find their way in the securities markets on their own.

For many investors the alternatives are seemingly endless and certainly bewildering. Furthermore, most people feel they do not have the time, inclination or experience to choose and manage their own investments. Even those individuals who *want* to make their own investment decisions feel squeezed out of the market by a phenomenon being referred to as "the institutionalization of the market." With institutions playing an increasingly strong role in the securities markets with their big volume trades, their large "buy" and "sell" programs can unexpectedly affect prices of individual securities. Takeover activity can also cause rapid fluctuations in securities prices. The average investor is finding it tougher and tougher to be directly involved in the market—to determine how market activity and fundamental economic changes affect individual securities and industries.

So in an effort to invest more effectively, millions of Americans have, in effect, hired professional money managers. They have invested in mutual funds and have therefore joined the institutional investors no matter how modest their personal investments might be.

Portfolio Composition of Equity, Bond and Income Funds Year-End 1985
(Billions of Dollars)

Common Stock	$119.7
Preferred Stock	3.8
Municipal Bonds (long term)	38.3
Corporate Bonds	25.0
U.S. Gov't Sec. (long term)	43.5
U.S. Gov't Sec. (short term)	11.4
Liquid Assets	9.2
Other	0.8
Total Net Assets	$251.7

What Do the Money Managers Do?

Fund managers perform extensive economic and investment research aimed at developing data so that intelligent decisions can be made concerning the securities in the fund's portfolio.

In order to make these decisions, investment analysts research basic trends in the economy—stock market conditions, interest rates and inflation—and then assess how individual companies will be affected. They read widely: not only general business publications, but also trade publications, research reports and surveys. It's their job to keep up with the steady stream of financial information companies release and file with various government agencies. They study balance sheets and other financial statements, companies' business systems and marketing phi-

losophies, and talk to business executives of all kinds. They may make field trips to actually inspect a company's plants. Often they specialize. For instance, one analyst may study utilities while a colleague concentrates on the computer industry. A third may study stock markets overseas while another follows bonds or other debt issues.

On the basis of their research, those responsible for managing the fund decide what and when to buy and sell for their portfolio, in light of the specific investment objective set by the fund. The fund's portfolio managers will typically invest the pool of investment dollars contributed by investors in 50, 60, maybe even 100 different securities in order to diversify the fund's holdings.

Money Market Fund Asset Composition Year-End 1985
(In Billions of Dollars)

U.S. Treasury Bills	$20.4
Other Treasury Securities	4.2
Other U.S. Securities	18.1
Repurchase Agreements	26.1
Commercial Bank CDs	13.3
Other Domestic CDs	3.6
Eurodollar CDs	19.0
Commercial Paper	87.5
Bankers' Acceptances	11.6
Cash Reserves	0.1
Other	3.6
Total Net Assets	$207.5
Average Maturity (Days)	37
Number of Funds	348

Diversification

Diversification is a basic investment principle utilized by all types of mutual funds. Simply stated, it means that the professional managers of mutual funds combine the money of shareholders and invest in many types of securities. It is a well-tested method of reducing the risk inherent in all investing.

Diversification may take a number of forms:

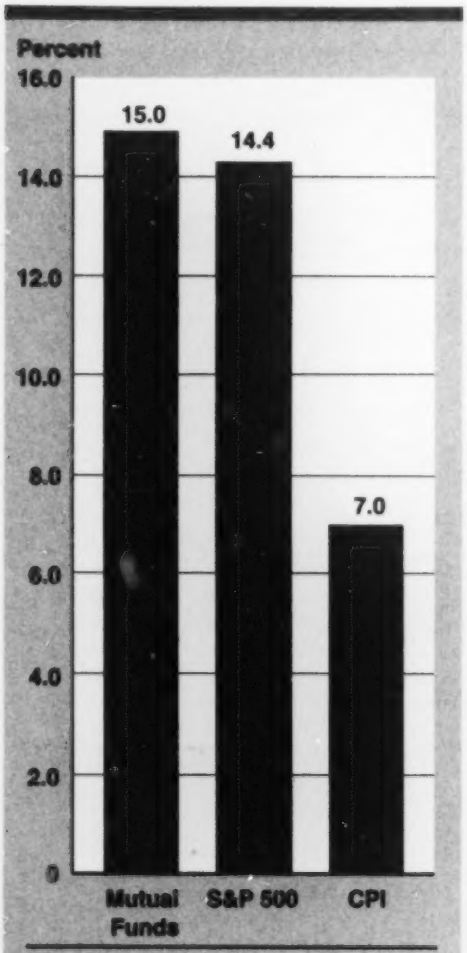
- Diversification among a variety of securities issuers—A number of federal and state regulations dictate this type of diversification. The Investment Company Act of 1940 requires certain minimum diversification standards for a mutual fund to qualify as a diversified company; the Internal Revenue Code requires a certain measure of diversification for a fund to qualify as a regulated investment company; and various states impose diversification requirements for a fund to be able to offer its shares in the state.
- Diversification among types of securities—One example of this form of diversification can be found in balanced funds. These funds invest in common stocks, preferred stocks and corporate bonds.
- Diversification among a variety of industries—Stock funds diversify their portfolios by including securities issued by companies in many different industries. Corporate bond portfolios also include issues of many different types of businesses, while those of municipal bond funds include holdings of a wide range of state and local governments.
- The exceptions—Not all funds are diversified across company, industry and geographical lines. There are specialty funds or sector funds which focus on a specific industry, market segment or geographical region. Examples include funds investing in high technology stocks, the health care industry, or in sunbelt region companies. Even in these specialty funds, however, the money managers still diversify within those specific areas.

Security Selection

In recent years, the huge volume of net sales of equity funds has been a major source of liquidity in the securities market and, indirectly, has improved the climate for financing new equity issues. The mutual fund managers must choose from approximately 25,000 securities issues available on the organized exchanges and in the over-the-counter markets in the U.S.,

Mutual Fund Investment Performance

(10 Years through 12/31/85)

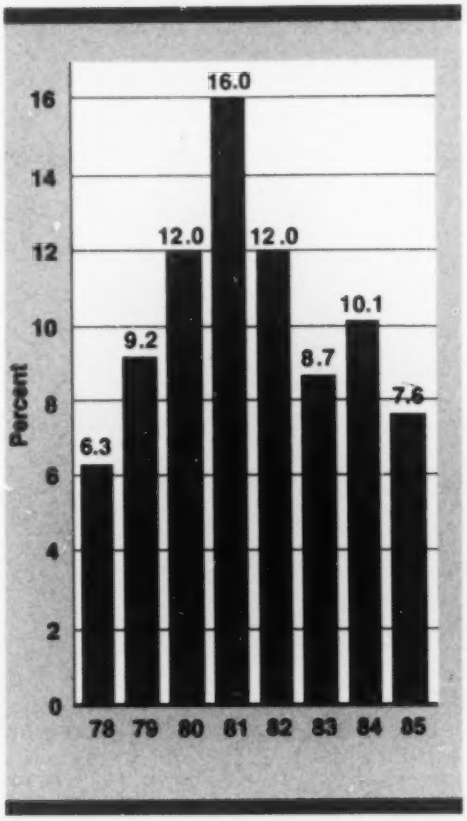


NOTE:

Mutual fund performance reflects a monthly weighted average for all equity funds.

Mutual fund and S&P 500 data prepared by Lipper Analytical Services. These indexes are not adjusted for sales charges.

Money Market Mutual Funds Average Annual Yield



with an estimated value of $2.1 trillion. Mutual funds held $123.5 billion of those stocks in their portfolios in 1985—representing thousands of different securities issues.

Funds purchase substantial amounts of corporate bonds and municipal securities, thereby helping to finance the needs of corporate America as well as state and local governments. There are approximately $1.2 trillion in corporate and long-term municipal bonds on the market. Mutual funds held $25.0 billion in bonds and $38.3 billion in long-term municipal securities in 1985.

With the strength in sales of government income and Ginnie Mae funds over the last two years, the mutual fund industry has become an important market for government backed mortgage securities, Treasury bonds and other government securities. They currently hold about $43.5 billion worth of these securities in their portfolios.

Mutual funds, in short, are doing the job of an efficient financial intermediary. They are gathering up the public's savings and channeling it into productive uses.

The tables at the end of this chapter represent the dollar value and market percentage for industries which were especially of interest to equity fund managers this year. As might be expected, the ranking of various industries and the size of their share in fund portfolios changes through time. These variations reflect the changing views of portfolio managers regarding the attractiveness of the securities of firms in different industry groups.

Dividends and Reinvestment
All Types of Mutual Funds

(Billions of Dollars)

Year	Investment Income Dividends	Reinvested Dividends	Percentage Reinvested
1975	$ 1.6	$ 1.1	68.1%
1976	1.7	1.1	63.1
1977	1.9	1.3	68.8
1978	2.5	1.8	71.3
1979	5.2	3.7	72.2
1980	10.4	8.5	81.3
1981	21.7	19.7	91.7
1982	25.8	22.9	88.8
1983	18.8	15.7	83.5
1984	23.7	18.4	77.6
1985	28.9	20.4	70.6

Capital Gains and Dividends Distributions to Shareholders
All Types of Mutual Funds

(Billions of Dollars)

		Net Investment Income		
Year	Net Realized Capital Gains	Equity, Bond & Income Funds	Money Market Funds	Short-Term Municipal Bond Funds
1975	$0.2	$ 1.4	$ 0.2	N/A
1976	0.5	1.6	0.1	N/A
1977	0.6	1.8	0.1	N/A
1978	0.7	2.1	0.4	N/A
1979	0.9	2.5	2.7	N/A
1980	1.7	2.7	7.7	$0.1
1981	2.7	3.1	18.5	0.1
1982	2.4	3.8	21.7	0.3
1983	4.4	5.0	13.2	0.6
1984	6.1	7.3	15.4	1.0
1985	5.0	12.9	14.4	1.6

Diversification of Mutual Fund Portfolios
Common Stock Holdings by Industry

(In Millions of Dollars)

	1975	1980	1985
Agricultural Equipment	$ 82.2	$ 177.4	$ 176.4
Aircraft Manufacturing & Aerospace	346.5	456.9	708.3
Air Transport	385.8	267.7	429.7
Auto & Accessories (excl. Tires)	489.0	204.2	1,146.9
Building Materials & Equipment	487.7	374.2	567.2
Chemicals	1,647.2	1,115.1	1,779.2
Communications (TV, Radio, Motion Pictures, Telephone)	383.7	317.9	1,589.3
Computer Services*	N/A	N/A	292.3
Conglomerates	N/A	N/A	626.2
Containers	92.1	56.3	154.1
Drugs & Cosmetics	1,625.6	1,409.6	1,750.5
Electric Equipment & Electronics (excl. TV & Radio)	901.7	1,724.9	2,137.2
Financial (incl. Banks & Insurance)	1,457.4	1,530.9	4,395.7
Foods and Beverages	785.8	509.9	895.0
Hospital Supplies & Services	N/A	N/A	267.4
Leisure Time	N/A	N/A	835.4
Machinery	347.8	315.8	334.4
Metals & Mining	629.7	607.7	599.0
Office Equipment	1,590.5	1,511.0	2,049.4
Oil	2,870.7	4,532.2	2,010.7
Paper	613.1	377.9	627.0
Printing & Publishing	N/A	N/A	388.5
Public Utilities (incl. Natural Gas)	1,107.5	976.7	2,187.9
Railroads & Railroad Equipment	374.7	361.6	660.8
Retail Trade	700.0	727.8	1,829.9
Rubber (incl. Tires)	227.8	65.3	135.2
Steel	417.6	246.5	158.3
Textiles	93.6	25.8	95.5
Tobacco	488.0	328.7	324.4
Miscellaneous	2,068.4	2,015.5	868.4
Total	**$20,214.1**	**$20,237.5**	**$30,020.2**

Note: Composite industry investments drawn from the portfolios of 43 of the largest investment companies as of the end of the calendar year 1985 whose total net assets represented 33.7% of total net assets of all reporting equity companies.

*Includes computer software, consultants, and time sharing.

Diversification of Mutual Fund Portfolios
Percent of Total Common Stock by Industry

	1975	1980	1985
Agricultural Equipment	0.41%	0.88%	0.59%
Aircraft Manufacturing & Aerospace	1.71	2.26	2.36
Air Transport	1.91	1.32	1.43
Auto & Accessories (excl. Tires)	2.42	1.01	3.82
Building Materials & Equipment	2.41	1.85	1.89
Chemicals	8.15	5.51	5.93
Communications (TV, Radio, Motion Pictures, Telephone)	1.90	1.57	5.29
Computer Services*	N/A	N/A	0.97
Conglomerates	N/A	N/A	2.09
Containers	0.46	0.28	0.51
Drugs & Cosmetics	8.04	6.96	5.83
Electric Equipment & Electronics (excl. TV & Radio)	4.46	8.52	7.12
Financial (incl. Banks & Insurance)	7.21	7.56	14.64
Foods and Beverages	3.89	2.52	2.98
Hospital Supplies & Services	N/A	N/A	0.89
Leisure Time	N/A	N/A	2.78
Machinery	1.72	1.56	1.11
Metals & Mining	3.12	3.00	2.00
Office Equipment	7.87	7.47	6.83
Oil	14.20	22.39	6.70
Paper	3.03	1.87	2.09
Printing & Publishing	N/A	N/A	1.29
Public Utilities (incl. Natural Gas)	5.48	4.83	7.29
Railroads & Railroad Equipment	1.85	1.79	2.20
Retail Trade	3.46	3.60	6.10
Rubber (incl. Tires)	1.13	0.32	0.45
Steel	2.07	1.22	0.53
Textiles	0.46	0.13	0.32
Tobacco	2.41	1.62	1.08
Miscellaneous	10.23	9.96	2.89
Total	**100.00%**	**100.00%**	**100.00%**

Note: Composite industry investments drawn from the portfolios of 43 of the largest investment companies as of the end of the calendar year 1985 whose total net assets represented 33.7% of total net assets of all reporting equity companies.

*Includes computer software, consultants and time sharing.

Recent Trends in Activity:
Stock, Bond and Income Funds

Sales of stock, bond and income funds in 1985 totaled $114.3 billion, more than doubling the all-time annual sales record of $45.9 billion set in 1984. These two outstanding years had combined sales exceeding the total industry sales for the preceding 50 years.

Sales in every category of funds in 1985 surpassed 1984 totals. As the Dow Jones Industrial Average began its rise to new heights in 1985, investors poured $26.8 billion into stock funds, an all-time record. (The last record was set in 1983 with $22.1 billion. Equity fund sales in 1984 were $18.2 billion.) The leading stock fund category was growth-and-income funds with $10.4 billion in sales, followed by growth funds with $7.2 billion and aggressive

Share of Equity Funds Sales and Redemptions Annually

	Sales		Redemptions	
	1984	1985	1984	1985
Aggressive Growth	27.9%	29.0%	30.6%	31.5%
Growth	27.5	26.4	30.8	31.2
Growth & Income	35.1	35.8	32.7	28.5
Precious Metals	1.3	2.2	0.7	2.8
International	8.2	6.6	5.2	6.0
Total	100.0%	100.0%	100.0%	100.0%

Share of Bond and Income Funds Sales and Redemptions Annually

	Sales		Redemptions	
	1984	1985	1984	1985
Balanced	0.8%	1.0%	3.1%	1.7%
Income	9.7	5.6	19.0	16.1
Option/Income	6.8	3.2	3.1	4.2
Government Income	21.0	40.1	7.0	23.8
Ginnie Mae	10.4	15.6	4.5	10.1
Corporate Bond	15.7	11.3	19.2	15.1
Long-Term Municipal Bond	26.5	15.4	38.6	23.0
Single State Municipal Bond	9.1	7.8	5.5	6.0
Total	100.0%	100.0%	100.0%	100.0%

Mutual Fund Assets
Classified by Investment Objective

(Billions of Dollars)

Year-End

Investment Objective	1984	1985	Percent Change
Aggressive Growth	$ 14.1	$ 20.0	+ 41.8%
Growth	26.7	35.1	+ 31.5
Growth & Income	31.6	45.0	+ 42.4
Precious Metals	0.4	1.5	+275.0
International	5.2	8.0	+ 53.8
Balanced	2.9	4.1	+ 41.4
Income	7.0	11.0	+ 57.1
Option/Income	3.4	5.7	+ 67.6
Government Income	6.4	40.0	+525.0
Ginnie Mae	4.0	17.9	+347.5
Corporate Bond	14.6	24.0	+ 64.4
Long-Term Municipal Bond	16.0	27.9	+ 74.4
Single State Municipal Bond	4.8	11.5	+139.6
***Total Long-Term Funds**	**$137.1**	**$251.7**	**+ 83.6**

*See next chapter for total short-term fund (money market and short-term municipal bond funds) assets

Mutual Fund Sales
Classified by Investment Objective

(Millions of Dollars)

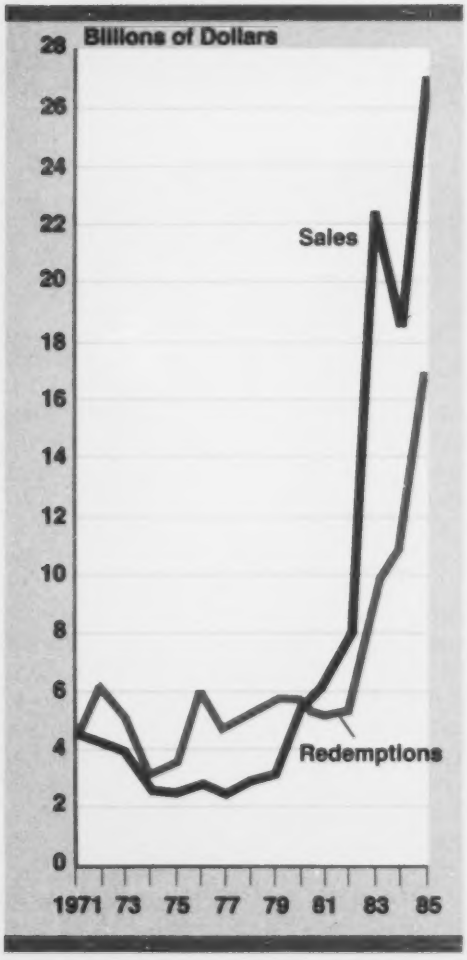
Investment Objective	1984	1985	Percent Change
Aggressive Growth	$ 4,246.6	$ 6,776.6	+ 59.7
Growth	5,289.4	7,187.4	+ 35.8
Growth & Income	6,808.2	10,353.4	+ 52.1
Precious Metals	247.5	608.8	+146.0
International	1,580.5	1,870.2	+ 18.3
Balanced	226.4	890.0	+293.1
Income	2,883.1	5,752.2	+ 99.5
Option/Income	1,869.1	2,779.4	+ 48.7
Government Income	5,786.0	36,072.1	+523.4
Ginnie Mae	2,863.5	13,213.4	+361.4
Corporate Bond	4,260.3	9,387.0	+120.3
Long-Term Municipal Bond	7,271.8	12,628.9	+ 73.7
Single State Municipal Bond	2,584.5	6,794.3	+162.9
Total Long-Term Funds	**$45,856.8**	**$114,313.5**	**+149.3**

growth funds with $6.8 billion. There was very little fluctuation in market share of sales among the categories which make up the equity fund segment.

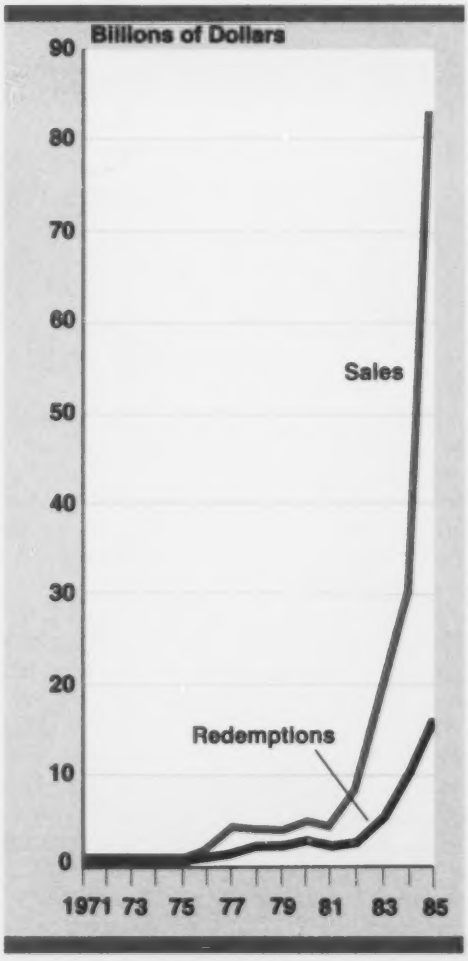
Despite this overwhelming interest in the stock funds, a dramatic high in sales of bond and income funds overshadowed the stock fund record. In 1985, sales of bond and income funds totaled $87.5 billion, triple last year's record sales. With short-term interest rates down, savers as well as investors began to shop around for new investments. Government income and Ginnie Mae funds brought billions of dollars into the industry and attracted many people embarking on a first-time mutual fund experience. Government income funds had sales of $36.1 billion while Ginnie Mae funds had sales of $13.2 billion.

At $19.4 billion, sales of municipal bond funds were also very strong. The

Sales and Redemptions
Equity Funds
Annually 1971-1985
(In Billions of Dollars)

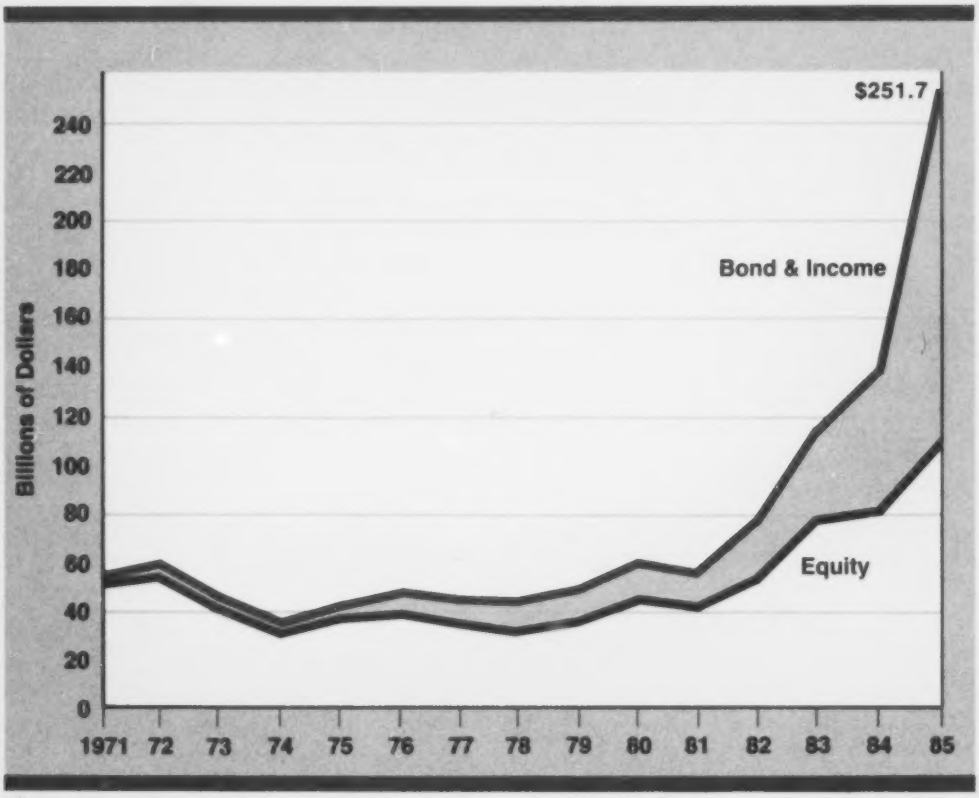


Sales and Redemptions
Bond and Income Funds
Annually 1971-1985
(In Billions of Dollars)



Assets of Equity, Bond and Income Funds

(In Billions of Dollars)



increasingly popular single state municipal bond funds accounted for $6.8 billion of these sales.

Government income funds made up 41.3 percent of all sales of bond-and-income funds, over 20 percentage points more than in 1984. Municipal bond funds, though their market share was down from 1984 due to the huge increase in government income funds, was still high at 22.2 percent. Ginnie Mae funds accounted for a 15.1 percent share of bond-and-income fund sales, up nearly 5 percentage points from 1984. Of 1985's total $114.3 billion in sales, government income, Ginnie Mae and municipal bond funds accounted for $68.7 billion.

This extraordinary level of sales has attracted millions of new shareholder accounts creating an all-time high in the number of Americans owning mutual funds. An estimated 35 million accounts are now held in mutual funds, representing ownership of fund shares by approximately 22 million U.S. households. At the end of 1980, there were 12.1 million accounts in the industry representing ownership of fund shares by 6.5 million households.

The magnitude of the expansion in stock, bond and income funds over the past few years is clearly evident in looking at industry asset figures. Assets of stock, bond and income funds totaled $251.7 billion at the end of 1985, compared with $137.2 billion at the end of 1984. Assets at the beginning of the decade were only $49.0 billion. (Total assets of all types of mutual funds, including money market funds, approached the half trillion mark with $495.5 billion by year-end 1985. Assets at the end of 1984 were $370.7 billion and only $94.5 billion at the beginning of the decade.)

Recent Trends in Activity: Money Market and Short-Term Municipal Bond Funds

Assets of money market funds (MMFs) stabilized this year after the forces surrounding the introduction of money market deposit accounts (MMDAs) subsided. Money market funds ended 1985 with assets of $207.5 billion, little change from the $209.7 billion level reached at the end of 1984.

This minor change in assets is a far cry from the roller coaster ride money market fund assets had taken in the two previous years. In November 1982, just before banks were given the authority to offer MMDAs as a competitive product, money market fund assets stood at an all time high: $232.1 billion. Just a year later, money market fund assets had plummeted over $60 billion to $162.5 billion at the end of 1983. But then the situation leveled off. Since August 1983, MMF rates have consistently been higher than those of the MMDAs, and 1984 saw the industry recoup much of its losses, ending that year at $209.7 billion.

Despite the fact that 1985 was marked by low levels in short-term interest rates, and therefore low rates in the money market, the money market fund assets remained relatively constant. Even with 1985's average annual yield of 7.6 percent when money market fund investors had previously been accustomed to yields of 9, 10 and 12 percent (see chart, p. 23), the funds dropped only $2 billion in assets.

Why?

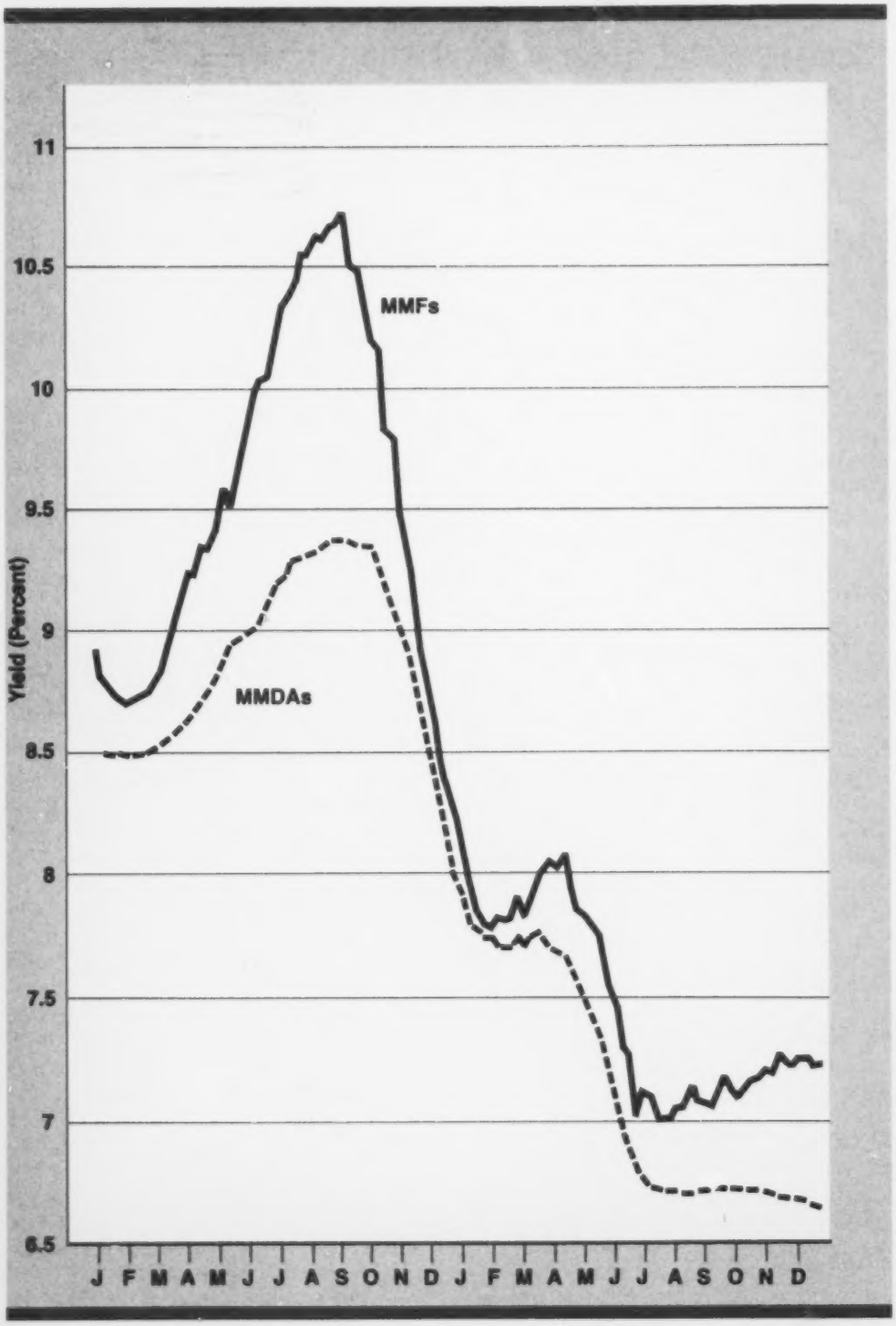
There are three main ways people use money market funds. These vary in importance, depending on market conditions. One major way to use a money market fund is as a cash management tool—a way to earn market rates on money waiting to be paid out in the form of bills. (Institutions use money market funds this way on a larger scale.) Another is as a savings instrument. And third, money market funds are used as a safe harbor between financial transactions.

Investors have come to recognize the importance of money market funds in every financial plan. For that reason, there will probably be a relatively stable, ongoing use of these funds as cash management tools. The amount of money people keep in these funds may fluctuate with the changing forces in the market, but money market funds will continue to play a role in responding to investors' needs for a relatively safe, high yielding, liquid instrument.

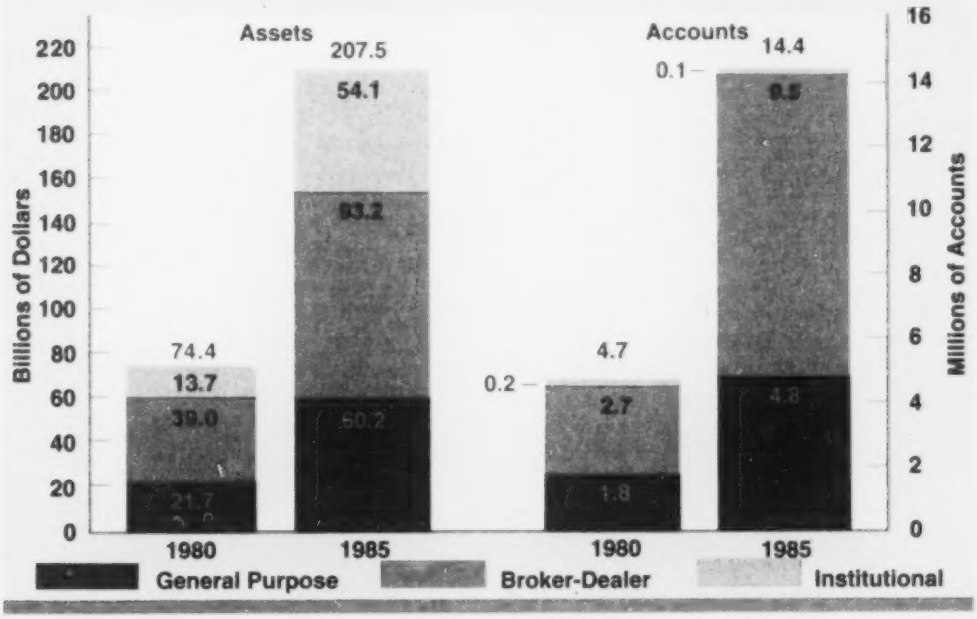
The pool of money market fund money set aside as savings, however, has probably declined in light of the lower market rates. But the third way people make use of money market funds, as a parking place between financial transactions, is most likely more active than ever before as a result of the great activity in the stock and bond markets over the last year.

There are three broad types of money market funds offering shares—each responding to somewhat different needs. General purpose funds and broker/dealer funds, for example, sell to both individuals and institutions. Individuals, however, are the primary market, and represent almost 75 percent of the assets of both types of funds. Institutional funds, on the other hand, concentrate primarily on institutional investors such as businesses and bank trust departments. These funds are characterized by fewer shareholders with

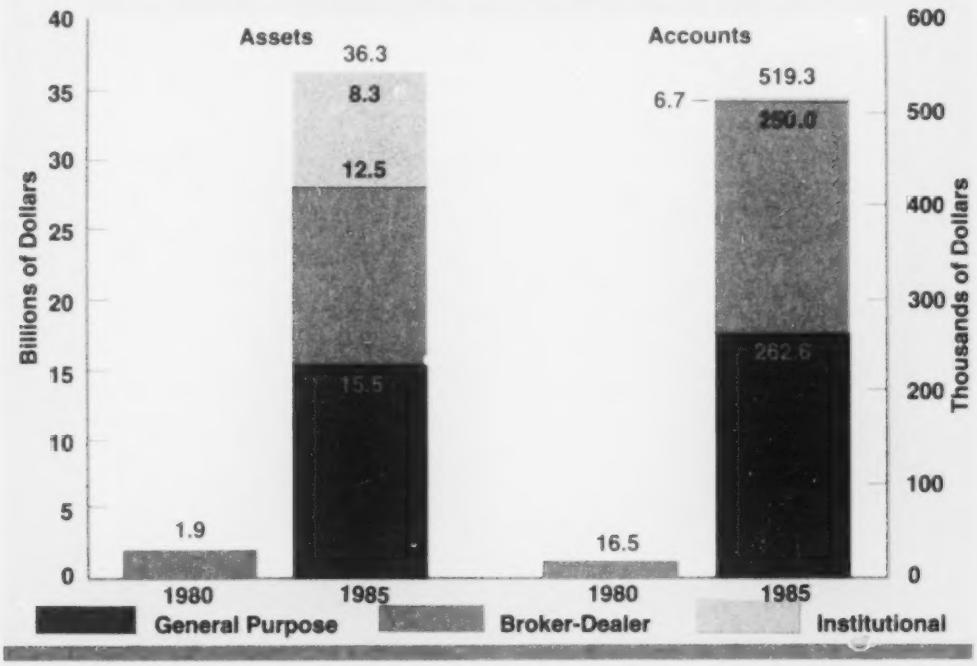
Weekly Yield on MMFs and MMDAs
January 1, 1984—December 27, 1985



Money Market Fund Assets and Shareholder Accounts



Short-Term Municipal Bond Funds Assets and Shareholders Accounts



larger amounts to invest.

At the end of 1985, of the $207.5 billion in assets, the largest portion—$93.2 billion—was in the broker/dealer funds (45 percent of the total). General purpose funds had $60.2 billion and institutional funds held $54.2 billion, 29 percent and 26 percent, respectively.

Shareholder accounts for the money market funds have risen in 1985 to a new record level of 14.4 million. Again, the broker/dealer funds held the largest portion of accounts, making up 66 percent of the market while general purpose funds accounted for 33 percent. As noted earlier, institutional funds have fewer accounts with larger account balances. These funds represent only 1 percent of all money market fund accounts.

While the money market funds were stabilizing in 1985, their tax-exempt counterparts, short-term municipal bond funds, were experiencing explosive growth. These funds, introduced in 1979 with assets of $0.3 billion, ended 1985 with $36.3 billion in assets. In 1984, they had $23.8 billion. Part of the appeal of these funds (sometimes referred to as tax-exempt money market funds) is the combination of standard money market fund features with the added bonus of tax-free income. This tax advantage makes the short-term municipal bond funds particularly attractive to investors in the higher income brackets.

Response to this new product has been tremendous. Accounts now stand at 519,340. The result of all this activity has been to firmly establish the short-term municipal bond fund as another key product in the already diverse mutual fund market.

How Mutual Fund Shares Are Sold

The securities industry is increasingly characterized by firms of a diverse nature providing a wide range of products and services. As a result, there are securities firms that provide investment advice, financial planning, insurance and commodity products, in addition to such traditional functions as executing orders for the purchase and sale of securities and underwriting new issues of stocks and bonds. Other firms may offer some of these products and services while there are a number of firms that only execute trades for investors who have made their own investment decisions.

In light of this complexity and differentiation within the overall securities industry, it is not surprising that mutual funds' distribution patterns have become equally complex. Some funds offer their shares to investors through the mail, by telephone or at their own offices while others sell through securities firms, financial planners, life insurance organizations, other financial institutions or even through affinity groups.

Basically, however, mutual fund distribution can be broken down into two major channels: shares purchased from a member of a sales force or shares purchased directly from a fund. (In the statistical data in this book these two channels are referred to as Sales Force and Direct Marketing.)

Most mutual funds are affiliated with an underwriter which distributes their shares nationally. The underwriter has exclusive distribution rights and may use several different avenues for share distribution.

The Broker/Dealer: In most cases, the underwriter distributes fund shares through securities firms and their brokers. These brokers deal directly with the public — the potential purchasers of mutual fund shares.

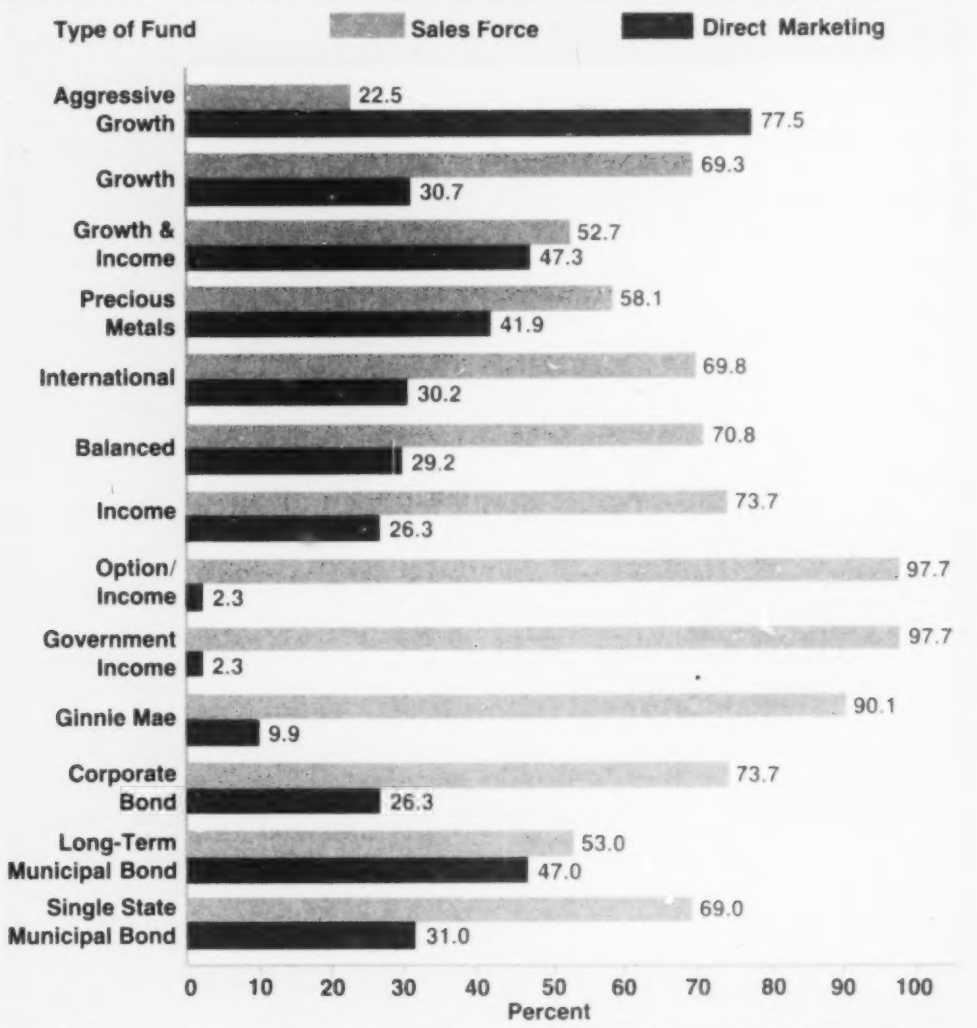
In addition to traditional broker/dealer firms, an increasing number of financial planners recommend mutual funds to their clients. More and more, they consider mutual fund shares to be building blocks in an overall financial plan which might also include life insurance, fixed dollar savings and individual securities.

Within the broker/dealer distribution system, the underwriter, in effect, acts as a wholesaler. The underwriter does not directly sell shares to the public but enters into sales agreements with securities firms who sell the fund's shares to individual investors through their branch offices. To assist local firms and branches, a mutual fund underwriter usually divides the country into various regions and assigns its own staff members to represent the underwriter in that area.

Retail securities firms distributing mutual fund shares are usually members of the National Association of Securities Dealers, Inc. This organization provides self-policing of its member firms in the distribution of mutual fund shares, as well as in other over-the-counter securities transactions.

Dedicated Sales Force: In some cases, an underwriter employs its own sales force. This group of people primarily sells the shares of the funds the underwriter represents and other securities issued by the underwriter and its

Sales of Sales Force & Direct Marketing Funds by Investment Objective—1985 (By Percentage)



affiliates. In some cases, a dedicated sales force is the sales arm of an insurance company which might own a mutual fund management company.

Fund shares sold through brokers, commission-based financial planners or dedicated sales forces may have a sales charge included in their offering price. Depending on the type of fund, the charge may range from 4 to 8.5 percent. Usually, the basic charge will vary, depending upon the amount of the purchase. In addition, some funds allocate a small percentage of fund assets to aid in distribution expenses.

Mutual funds are required to redeem their outstanding shares at their current net asset value. In some cases, a charge may be applied if the investor redeems the mutual fund shares before holding them for a given period of time.

Fund to Investor: In this method of distribution, investors purchase mutual fund shares directly from the fund — usually by mail, telephone, bank wire or sometimes at offices maintained by the fund organization. As a technical matter, however, these direct marketing funds usually have an underwriter — a distribution arm of the fund organization — through which all share transactions pass. The funds attract investors through advertising, direct mail, and other means. Potential investors do their own research and take their own initiative in determining whether specific funds meet their needs. Investors contact the fund organization directly to obtain a prospectus or buy shares. The shares of these funds are generally sold to the public with little or no sales charge.

Sales by Method of Distribution

Of all stock, bond and income fund sales made in the mutual fund industry in 1985, $85.3 billion or 75 percent were made by those funds distributed through a sales force. Those funds distributed directly to investors had sales of $27.3 billion or 24 percent of the total. (Other sales result from reinvested dividends in funds no longer offering shares and from variable annuities.)

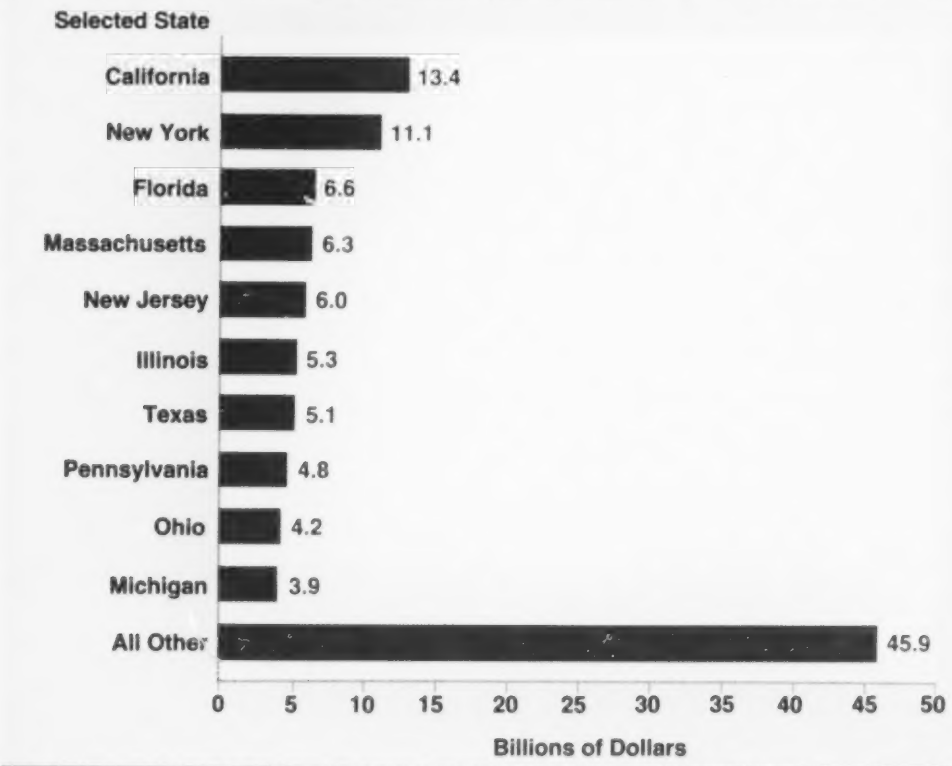
Among equity funds, the two major methods of distribution — through sales forces or through direct marketing — had equal sales: $13 billion each. The sales force distribution channels attained their high percentage of overall sales through $72.3 billion in bond and income fund sales. Direct marketing sales were $14.3 billion in the bond and income funds.

Government income and Ginnie Mae funds had the largest amount of sales from sales force distribution.

Where The Most Funds Are Sold

Assets and sales of mutual funds are heaviest in geographic regions which include large numbers of people in moderate to upper-income groups. As may be seen in the accompanying chart, California and New York accounted for the two largest state shares of total sales of equity, bond and income funds. Sales in California totaled $13.4 billion in 1985, 11.7 percent of all sales of those funds. New York fund sales accounted for $11.1 billion, 9.7 percent of total sales. The ten states with the largest share of stock and bond fund sales, moreover, accounted for over 60 percent of the total.

Equity, Bond and Income Fund Sales by Selected States—1985



The Retirement Market

Mutual funds are especially compatible with the long-term objectives of saving for retirement because:

- There is a type of fund available to match any long-term objective or risk-reward preference
- Families of funds provide great flexibility through the exchange feature, enabling shareholders to adjust their holdings in response to changes in economic conditions as well as in their own personal financial circumstances
- Mutual funds work best when allowed to ride out the ups and downs of market cycles over long periods of time
- Low management fees for expert money management makes them a cost-effective way to invest
- They provide a wide range of services such as automatic withdrawal plans and complete record keeping services.

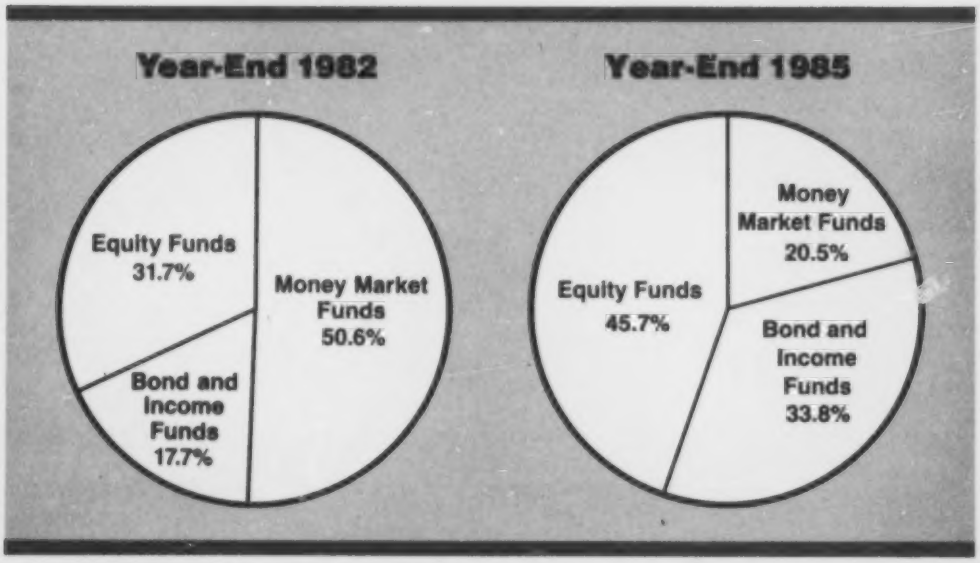
(See box on page 43 for description of various retirement plans.)

The IRA Market

The Individual Retirement Account (IRA) market has rapidly grown to command the largest share of the mutual fund industry's retirement assets.

In 1981, before IRAs were liberalized to allow all working Americans to create do-it-yourself retirement programs, mutual funds had only $2.6 billion of assets in 500,000 IRA accounts. By the end of 1985, mutual fund IRA assets had climbed to $31.5 billion in 7.9 million ac-

IRA Assets by Type of Funds



counts. In calendar year 1985 alone, mutual fund IRA assets increased 87 percent and accounts increased 35 percent. Of the industry's $31.5 billion in IRA assets, $14.2 billion or 45.2 percent of assets were in equity funds, $10.8 billion or 34.2 percent of assets were in bond and income funds and $6.5 billion or 20.6 percent in money market funds.

Of the 7.9 million accounts, equity funds had 3.5 million, bond and income funds had 1.8 million and money market funds had 2.6 million.

At the end of 1981, when IRAs were liberalized, only 1 percent of all mutual fund assets were held in IRA accounts. At the end of 1985, that share had grown to 6 percent.

In addition, 20 percent of all mutual fund accounts are IRA accounts. (Some IRA mutual fund shareholders hold multiple accounts.)

At the end of 1981, when all Americans with earned income became eligible for IRAs, mutual funds accounted for 9.9 percent of all IRA assets in the marketplace. Growth in mutual fund IRA assets since that time has occurred at a greater rate than growth in competing investments, resulting in an increased share of the market. At the end of 1985 mutual funds accounted for 15.8 percent of all IRA assets.

Retirement Plans for the Self-Employed

Mutual funds, traditionally holding close to a third of the market for retirement plans for the self-employed (formerly known as Keogh accounts), had 644,000 of these accounts under management at the end of 1985. These plans totaled $7.9 billion in assets.

As may be seen in the accompanying chart, just over 55 percent of these retirement plans' assets managed by mutual funds were in equity funds; money market funds accounted for 24 percent and bond and income funds had just over 20 percent of assets.

The self-employed retirement market has become increasingly important since the liberalization of the tax laws which took effect in 1982. This change allowed self-employed individuals to put away the lesser of 15 percent of income or $15,000, instead of the $7,500 allowed earlier. In addition, they became eligible for an IRA, which meant an effective maximum annual total of $17,000 in these tax-deferred savings plans.

Then in 1984, changes in the tax laws made Keogh plans comparable to corporate retirement plans. Now, self-

Estimated Value of IRA Plans

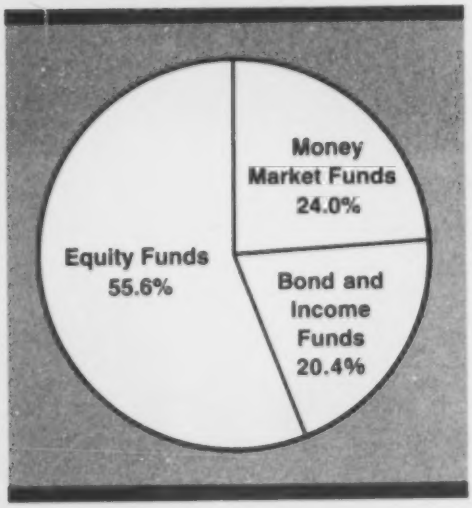
(Value in Billions of Dollars/Percent Market Share)

	12/81		12/82		12/83		12/84		12/85	
Commercial Banks	$5.8	22.5%	$13.6	25.9%	$26.5	29.0%	$37.2	28.2%	$51.5	25.8%
Mutual Savings Banks	3.4	13.1	4.7	8.9	6.5	7.1	9.3	7.0	11.9	6.0
Savings & Loans	10.7	41.0	15.6	29.8	25.2	27.6	34.1	25.8	44.5	22.3
Life Insurance Companies	3.3	12.7	5.8	11.1	9.0	9.9	12.6	9.5	16.9	8.5
Credit Unions	0.2	0.8	1.6	3.0	5.0	5.5	7.8	5.9	13.9	6.9
Mutual Funds	2.6	9.9	5.7	10.8	10.7	11.7	16.5	12.5	31.6	15.8
Self Directed	N/A		5.5	10.5	8.4	9.2	14.6	11.1	29.4	14.7
Total IRA Dollar Value	**$26.1 Bil**		**$52.4 Bil**		**$91.3 Bil**		**$132.1 Bil**		**$199.8 Bil**	

Mutual Fund IRAs by Investment Objective

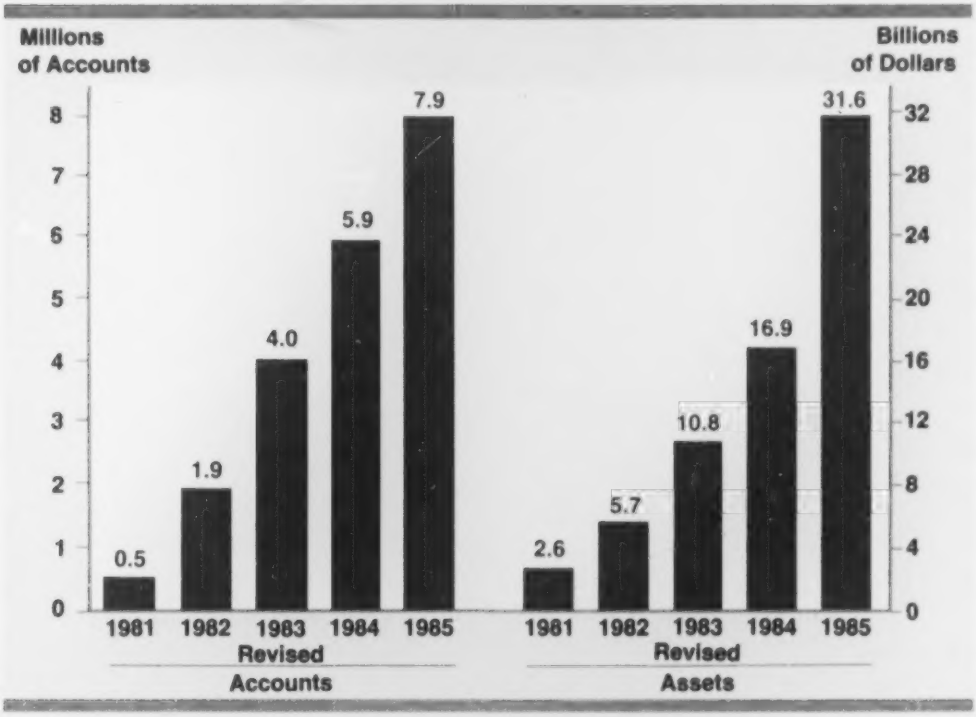
Investment Objective	Percent of Assets as of 12/31/85
Aggressive Growth	11.9%
Growth	13.7
Growth & Income	12.8
Precious Metals	0.8
International	5.9
Balanced	0.6
Income	2.0
Government Income	10.8
Ginnie Mae	7.0
Corporate Bond	11.4
Option/Income	2.6
Money Market	20.5

Self-Employed Retirement Plan Assets by Type of Fund Year-End 1985

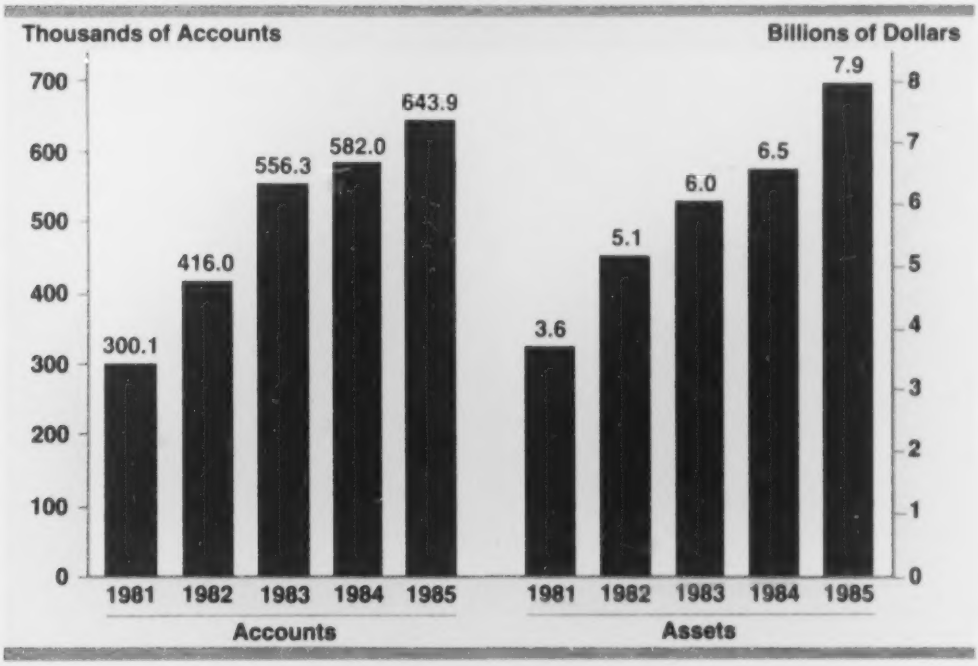


employed individuals can annually set aside retirement benefits equal to 25 percent of earnings, up to a maximum of $30,000. Although the law no longer distinguishes between plans for the self-employed and corporate pension plans, many new restrictions apply to any plan which is a "top-heavy" plan, i.e., a plan under which a substantial portion of the benefits accrue on behalf of certain key employees of the employer. Most former Keogh plans will probably be treated as "top-heavy" plans subject to the new restrictions. Many mutual fund complexes will offer prototype "top-heavy" plans which comply with all the new provisions of law.

Growth in Mutual Funds IRA Plans 1985



Growth in Mutual Funds Self-Employed Retirement Plans 1985



Retirement Plans

Federal income tax laws permit the establishment of a number of types of retirement plans which may be funded with mutual fund shares.

Individual Retirement Accounts

All wage-earners under the age of 70½ may set up an Individual Retirement Account (IRA). The individual may contribute 100 percent of his or her compensation each year up to $2,000. The amount contributed each year is tax-deductible. These contributions go into a tax-sheltered program so that all dividends, interest and capital gains are allowed to compound tax-deferred year after year. An individual who qualifies for an IRA and has a spouse who isn't employed may contribute up to 100 percent of his or her income or $2,250, whichever is less.

Simplified Employee Pension Plans

Employers who have not established a qualified retirement plan may contribute up to $15,000 or 15 percent of compensation, whichever is less, to Individual Retirement Accounts of their employees. The employer's contribution is tax deductible.

Section 403(b) Plans

Section 403(b) of the Internal Revenue Code permits employees of certain charitable organizations and public school systems to establish tax-sheltered retirement programs.

Section 401(k) Plans

One particularly popular type of plan which may be offered by either corporate or noncorporate entities is the 401(k) plan. A 401(k) plan is a tax-qualified profit-sharing plan which includes a "cash or deferred" arrangement. The cash or deferred arrangement permits employees to have a portion of their compensation contributed to a tax-sheltered plan on their behalf or paid to them directly as additional taxable compensation. Thus an employee may elect to reduce his or her taxable compensation with contributions to a 401(k) plan where those amounts will accumulate tax-free.

Corporate Plans

Tax-qualified pension and profit-sharing plans may be established by corporations or self-employed individuals. Recent changes in the tax laws made retirement plans for employees of corporations and those for self-employed individuals essentially comparable. Contributions to a plan are tax-deductible and earnings accumulate on a tax-sheltered basis.

The maximum annual amount which may be contributed to a defined contribution plan on behalf of an individual is limited to the lesser of 25 percent of the individual's compensation or $30,000.

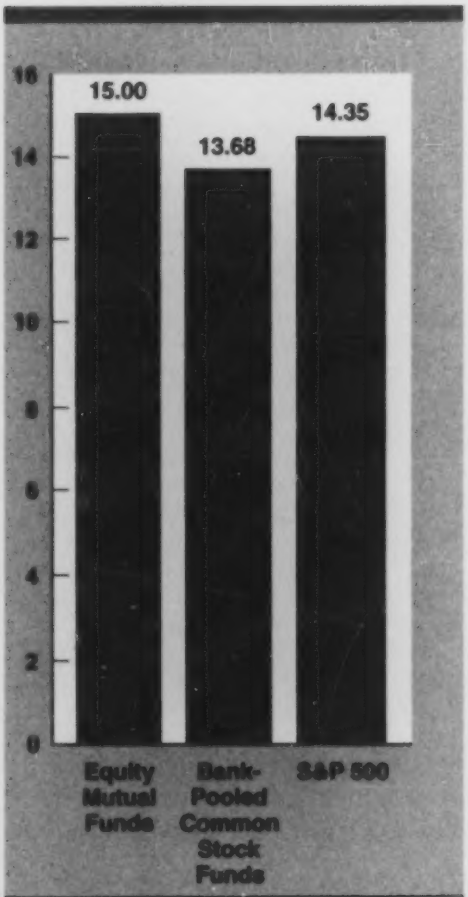
Employee Pension And Profit-Sharing Plans

In recent years, mutual funds have made substantial progress in attracting employee pension and profit sharing accounts. Corporate plan sponsors have come to appreciate the built-in advantages mutual funds can offer their plans. Mutual funds give them access to top professional money managers, instant diversification, a portfolio managed according to a well-defined philosophy and policy, liquidity and ease of administration.

As shown in the accompanying chart, assets of these accounts totaled about $20.7 billion at the end of 1985.

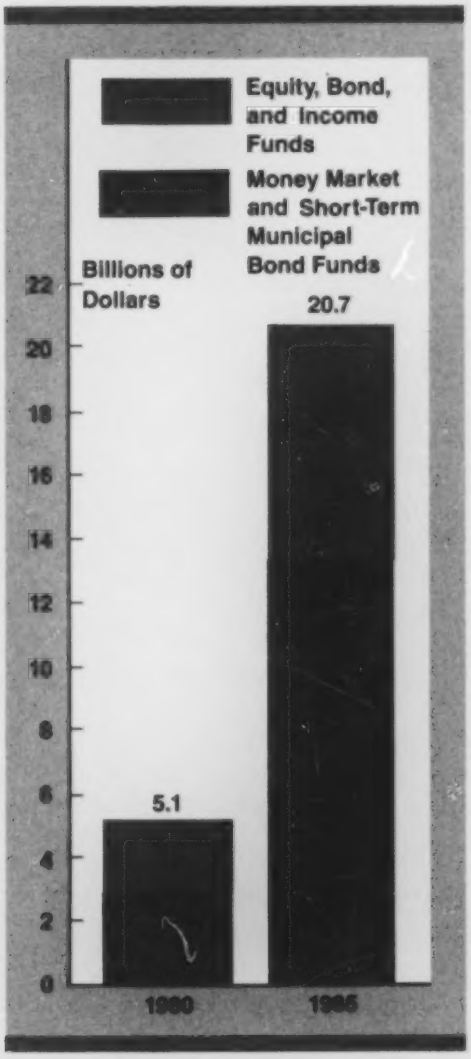
Approximately $13.4 billion of the total was funded with money market funds and short-term municipal bond funds. The remaining $7.3 billion came from stock, bond and income funds. In the early 1970s, the total value of all pension and profit-sharing plans probably totaled less than $1.0 billion.

Comparative Equity Performance Annualized 10-Year Total Return
(Period Ending December 31, 1985)



Source: ICI monthly asset weighted average equity fund performance and the S&P 500 returns were compiled by Lipper Analytical Services. The bank-pooled common stock fund asset weighted returns from data are compiled by CDA, Inc.

Total Net Assets Held in Pension and Profit Sharing Accounts in Mutual Funds Year-End 1985



Institutional Markets

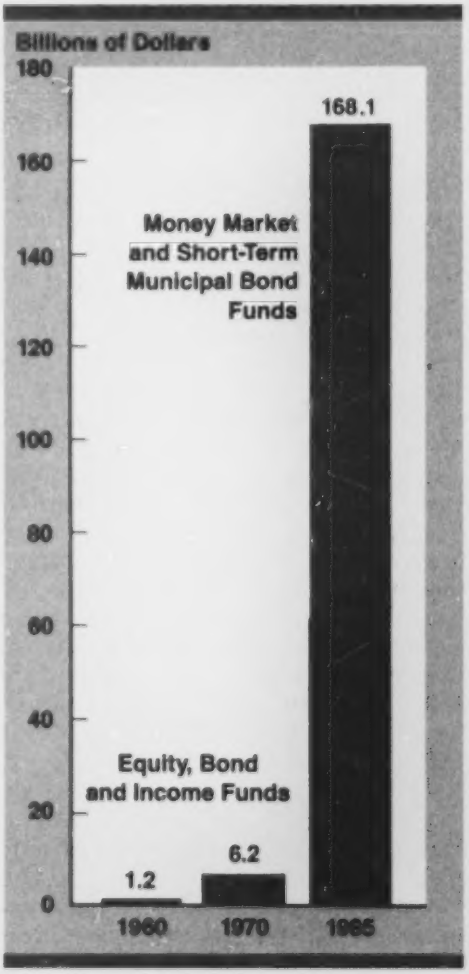
Mutual funds are financial products that are especially important to small investors. The modest initial investment requirements of funds and investors' ability to add small amounts to their accounts at regular intervals does allow mutual funds to play this role. Superior investment performance, diversification, and other services available through mutual funds, however, also attract investors in middle and upper income brackets. And, increasingly, institutions of various types have turned to mutual funds.

For marketing and statistical purposes, institutional activity is defined to include banks and other fiduciaries, business corporations, employee pension and profit-sharing plans, insurance companies, foundations, and other types of institutions. As the accompanying chart shows, the value of institutional assets under management has risen from about $1.2 billion in 1960 to $168.1 billion at the end of 1985.

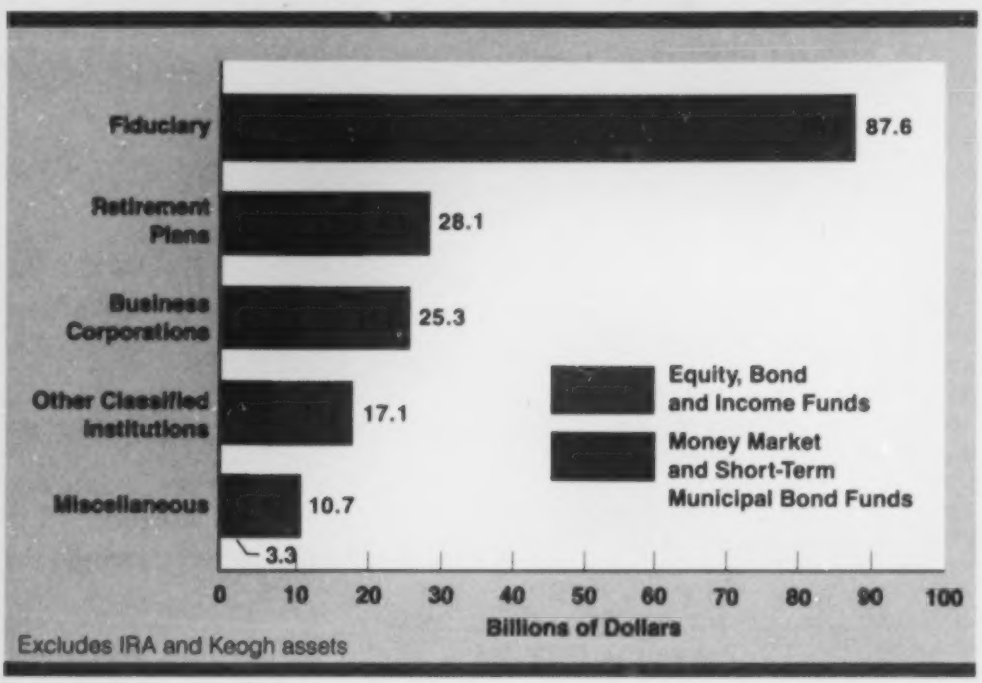
Since this rate of growth has been much more rapid than the expansion of assets owned by individuals, institutional assets have accounted for an expanding share of total assets. Between the end of 1960 and the end of 1985, the share of total assets accounted for by institutions rose from 10.6 percent to 33.9 percent. Part of the reason for the acceleration in institutional activity has been the expansion of money market funds which were first offered in the early 1970s.

Institutional assets represented 43.2 percent of total money market fund assets at the end of 1985, down slightly from the preceding year. Money market institutional assets went from $95.7 billion to $89.7 billion between 1984 and 1985.

Total Institutional Assets in Mutual Funds



Institutional Assets by Type of Institution—1985



The market share of institutional assets in equity, bond and income funds remained relatively stable in 1985 though the actual dollar increase was as proportionately high as the rest of the industry's outstanding increases. As a result, the institutional share of assets in these funds increased to 24.6 percent at the end of 1985 from the 24.5 percent share at the year-end 1984 and the value of holdings increased to $61.9 billion from $33.6 billion in just one year.

Those institutional assets in money market funds were primarily in fiduciary accounts, business corporations, retirement plans, insurance corporations and other financial institutions. The increased assets in equity, bond and income funds are reflected in the fiduciary, retirement plans, and business corporations categories.

The number of institutional accounts has expanded over the years along with the rise in assets. In 1960, there were only about 347,000 accounts on the books. At the end of 1985, institutional accounts totaled 4.0 million. Since many of these are pooled accounts, the number of fund customers linked to institutions is even larger.

The institutional market is complex and includes a number of submarkets, each of which has many unique characteristics (see chart). By far, the largest such market is the fiduciary group. At the end of 1985, fiduciary accounts of all types of funds numbered about 2.1 million and had an estimated total value of $87.6 billion (see chart).

The fiduciary market is composed of at least two broad segments: 1) bank trusts and 2) individuals serving as trustees, guardians and administrators. The former market is served mainly by the money market funds, while the latter is primarily the province of all other types of funds. This distinction is evident from the fact that the average-size fiduciary account associated with money market funds is much larger than stock, bond and income funds.

Other statistical details relating to the institutional market are contained in tables presented in the Statistical Data at the back of the Fact Book.

Regulation and Taxation

Mutual fund organizations are the most strictly regulated business entities under the federal securities laws. A highly respected chairman of the United States Securities and Exchange Commission (SEC), stated that "No issuer of securities is subject to more detailed regulation than mutual funds."

The laws governing mutual funds require exhaustive disclosure to the SEC, state regulators and fund shareholders and entail continuous regulation of fund operations. Properly, however, these laws do not include supervision of management's investment judgment.

Four major federal statutes regulate mutual funds.

The Securities Act of 1933 requires the filing of full information regarding the fund with the SEC. In addition, the 1933 Act requires that the fund provide potential investors with a current prospectus which makes detailed disclosures about the fund's management, its investment policies and objectives and its investment activities. The 1933 Act also limits the types of advertisements which may be used by a mutual fund.

The purchase and sale of mutual fund shares, as with all securities, are subject to the anti-fraud provisions of the Securities Exchange Act of 1934.

The Investment Advisers Act of 1940 regulates the activities of investment advisers to mutual funds.

Most importantly, the mutual fund must register with the SEC under the Investment Company Act of 1940, which is a highly detailed regulatory statute. The 1940 Act contains numerous provisions designed to prevent self-dealing and other conflicts of interest, maintain the integrity of fund assets and prevent the payment of excessive fees and charges by the fund and its shareholders.

In addition to these federal statutes, all but a few states regulate mutual funds.

Federal and state laws provide for appropriate disclosure to investors when it comes to potential returns and risks associated with individual funds. These laws are designed to ensure that mutual funds are operated and managed in the interests of their shareholders.

Conduit Theory: An extra layer of taxation is avoided under the "conduit theory" which applies to most mutual funds under which fund shareholders are treated substantially as if they directly held the securities in the fund's portfolio.

Provided the fund qualifies under Subchapter M of the federal Internal Revenue Code of 1954, the fund pays no federal income tax on dividends, interest and capital gains distributed to shareholders.

In order to qualify, a mutual fund must, among other things, distribute to its shareholders at least 90 percent of its investment company taxable income each year. Thus a shareholder receives investment income, dividends and capital gains distributions from a qualifying fund without any tax being levied on the fund. Instead, shareholders must report these payments on their own tax returns.

Glossary of Mutual Fund Terms

(For explanation of types of funds, see page 8; for retirement plans, see page 43.)

Adviser
The organization which is employed by a mutual fund to give professional advice on its investments and management of its assets (also called investment adviser).

Asked or Offering Price
(As seen in mutual fund newspaper listings.) The price at which a mutual fund's shares can be purchased. The asked or offering price means the current net asset value per share plus sales charge, if any.

Automatic Reinvestment
The option available to mutual fund shareholders whereby fund income dividends and capital gains distributions are automatically put back into the fund to buy new shares and thereby build up holdings.

Bid or Redemption Price
(As seen in mutual fund newspaper listings.) The price at which a mutual fund's shares are redeemed (bought back) by the fund. The bid or redemption price usually means the current net asset value per share.

Bookshares
A modern share-recording system which eliminates the need for mutual fund share certificates but gives fund shareholders a periodic statement of their holdings.

Broker/Dealer (or Dealer)
A firm which retails mutual fund shares and other securities to the public.

Capital Gains Distributions
Payments to mutual fund shareholders of gains realized on the sale of the fund's portfolio securities. These amounts usually are paid once a year.

Capital Growth
An increase in market value of a mutual fund's securities which is reflected in the net asset value of fund shares. This is a specific long-term objective of many mutual funds.

Closed-End Investment Company
Unlike mutual funds (known as "open-end funds"), closed-end companies issue only a limited number of shares and do not redeem them (buy them back). Instead, closed-end shares are traded in the securities markets, with supply and demand determining the price.

Contractual Plan
A program for the accumulation of mutual fund shares in which the investor agrees to invest a fixed amount on a regular basis for a specified number of years. A substantial portion of the sales charge applicable to the total investment is usually deducted from early payments.

Custodian
The organization (usually a bank) which holds in custody and safekeeping the securities and other assets of a mutual fund.

Diversification
The mutual fund policy of spreading its investments among a number of different securities to reduce the risks inherent in investing.

Dollar-Cost Averaging
Investing equal amounts of money at regular intervals regardless of whether the stock market is moving upward or downward. This reduces average share costs to the investor who acquires more shares in periods of lower securities prices and fewer shares in periods of higher prices. Dollar-cost averaging is done on a voluntary basis, unlike a contractual plan.

Exchange Privilege
Enables mutual fund shareholders to transfer their investment from one fund to another within the same fund group if their needs or objectives change, generally with a small transaction charge.

Income Dividends
Payments to mutual fund shareholders of dividends, interest and short-term capital gains earned on the fund's portfolio securities after deduction of operating expenses.

Investment Adviser
See Adviser.

Investment Company
A corporation, trust or partnership in which investors pool their money to obtain professional management and diversification of their investment. Mutual funds are the most popular type of investment company.

Investment Objective
The goal — e.g., long-term capital growth, current income, etc. — which an investor or a mutual fund pursues.

Management Fee
The amount paid by mutual funds to their investment advisers for their services. The average fee industrywide is about one-half of one percent a year of the fund's assets.

Mutual Fund
An investment company which ordinarily stands ready to buy back (redeem) its shares at their current net asset value; the value of the shares depends on the market value of the fund's portfolio securities at the time. Also, most mutual funds continuously offer new shares to investors.

Net Asset Value Per Share
The market worth of a mutual fund's total assets — securities, cash and any accrued earnings — after deduction of liabilities, divided by the number of shares outstanding.

Open-End Investment Company
The statutory terminology for a mutual fund, indicating that it stands ready to redeem its shares (buy them back) on demand.

Payroll Deduction Plan
An arrangement whereby employees may accumulate shares in a mutual fund by authorizing their employers to deduct and transfer to the fund a specified amount from their salary at stated times.

Periodic Payment Plan
See Contractual Plan.

Prospectus
The official booklet which describes the mutual fund and offers its shares for sale. It contains information as required by the Securities and Exchange Commission on such subjects as the fund's investment objectives and policies, services, investment restrictions, officers and directors, how shares can be bought and redeemed, its fees and other charges and its financial statements.

Redemption Price
The amount per share mutual fund shareholders receive when they cash in their shares (also known as "bid price"). The value of the shares depends on the market value of the fund's portfolio securities at the time.

Reinvestment Privilege

A service provided by most mutual funds for the automatic reinvestment of a shareholder's income dividends and capital gains distributions in additional shares.

Sales Charge

An amount charged to purchase shares in many mutual funds sold by brokers or other members of a sales force. Typically the charge ranges from 4-8.5 percent of the initial investment. The charge is added to the net asset value per share in the determination of the offering price. Funds which are marketed directly to investors through advertising and direct mail have little or no sales charge.

Transfer Agent

The organization which is employed by a mutual fund to prepare and maintain records relating to the accounts of its shareholders.

Underwriter

The organization which acts as the distributor of a mutual fund's shares to broker-dealers and the public.

Withdrawal Plans

Many mutual funds offer withdrawal programs whereby shareholders receive payments from their investments at regular intervals. These payments typically are drawn from the fund's dividends and capital gains distributions, if any, and from principal, to the extent necessary.

Variable Annuity

A contract under which an insurance annuity is purchased with a fixed number of dollars which are translated into varying number of accumulation units. At retirement the owner of the annuity is paid in a fixed number of annuity units monthly which are translated into a varying number of dollars. The value of both accumulation and annuity units varies in accordance with the performance of the portfolio. In many cases, the portfolio is invested in a mutual fund.

Variable Life Insurance

A life insurance policy in which the reserves may be invested in a mutual fund. The death benefit is guaranteed never to fall below the face value, but it could increase if the value of the securities increases. There may be no guaranteed cash surrender value under this kind of policy.

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Total Industry Assets

(Billions of Dollars)

	Equity, Bond and Income Funds	Money Market Funds and Short-Term Municipal Bond Funds	Total
1975	$ 42.2	$ 3.7	$ 45.9
1976	47.6	3.7	51.3
1977	45.0	3.9	48.9
1978	45.0	10.9	55.9
1979	49.0	45.2	94.2
1980	58.4	76.3	134.7
1981	55.2	186.1	241.3
1982	76.8	219.8	296.6
1983	113.6	179.3	292.9
1984	137.1	233.5	370.6
1985	251.7	243.8	495.5

Total Industry Shareholder Accounts

(In Millions)

	Equity, Bond and Income Funds	Money Market Funds and Short-Term Municipal Bond Funds	Total
1975	9.7	0.2	9.9
1976	8.9	0.2	9.1
1977	8.5	0.2	8.7
1978	8.2	0.5	8.7
1979	7.5	2.3	9.8
1980	7.3	4.8	12.1
1981	7.2	10.3	17.5
1982	8.2	13.2	21.4
1983	12.1	12.5	24.6
1984	14.4	13.8	28.2
1985	20.0	15.0	35.0

Total Number of Funds

	Equity, Bond and Income Funds	Money Market Funds and Short-Term Municipal Bond Funds	Total
1975	390	36	426
1976	404	48	452
1977	427	50	477
1978	444	61	505
1979	448	76	524
1980	458	106	564
1981	486	179	665
1982	539	318	857
1983	653	373	1,026
1984	820	426	1,246
1985	1,071	460	1,531

An Overview: Shareholder Accounts, Total Net Assets and Liquid Assets Equity, Bond and Income Funds 1970—1985

Calendar Year End	Number of Reporting Funds	Number of Accounts (in Thousands)	Assets (in Billions of Dollars)	Liquid Assets (in Billions of Dollars)
1970	361	10,690.3	$ 47.6	$ 3.1
1971	392	10,901.0	55.0	2.6
1972	410	10,635.3	59.8	2.6
1973	421	10,330.9	46.5	3.4
1974	416	9,970.4	34.1	3.4
1975	390	9,712.5	42.2	3.2
1976	404	8,879.4	47.6	2.4
1977	427	8,515.1	45.0	3.3
1978	444	8,190.6	45.0	4.5
1979	446	7,482.2	49.0	4.7
1980	458	7,325.5	58.4	5.3
1981	486	7,175.5	55.2	5.3
1982	539	8,190.3	76.8	6.0
1983	653	12,065.0R	113.6	8.3
1984	820	14,471.3	137.1	12.2
1985	1,071	19,955.9	251.7	20.6

NOTE: Figures for shareholder accounts represent combined totals for member companies. Duplications have not been eliminated.

R—Revised

Comparable data for short-term funds can be found on page 78. Industry totals can be found on pages 54-56.

Type of Shareholder Accounts
Equity, Bond and Income Funds
1971–1985

(In Thousands)

Year End	Total Shareholder Accounts	Regular Accounts	Contractual Accumulation Plans	Contractual Single Payment Plans	Withdrawal Accounts
			Number		
1971	10,901	8,996	1,455	169	281
1972	10,635	8,856	1,342	157	280
1973	10,331	8,699	1,214	166	252
1974	9,970	8,524	1,081	140	225
1975	9,667	8,302	1,029	126	210
1976	8,879	7,647	930	112	190
1977	8,515	7,395	844	101	175
1978	8,068	7,080	757	75	156
1979	7,482	6,602	677	64	139
1980	7,326	6,598	554	45	129
1981	7,175	6,486	537	30	122
1982	8,190	7,573	471	28	118
1983	12,065R	11,326R	585	20	134
1984	14,424	13,666	615	17	126
1985	19,956	19,118	647	17	174
			Percent		
1971	100.0%	82.5%	13.3%	1.6%	2.6%
1972	100.0	83.3	12.6	1.5	2.6
1973	100.0	84.2	11.8	1.6	2.4
1974	100.0	85.5	10.8	1.4	2.3
1975	100.0	85.9	10.6	1.3	2.2
1976	100.0	86.1	10.5	1.3	2.1
1977	100.0	86.9	9.9	1.2	2.0
1978	100.0	87.8	9.4	0.9	1.9
1979	100.0	88.2	9.0	0.9	1.9
1980	100.0	90.1	7.6	0.6	1.7
1981	100.0	90.4	7.5	0.4	1.7
1982	100.0	92.5	5.8	0.3	1.4
1983	100.0	93.8	4.9	0.2	1.1
1984	100.0	94.8	4.2	0.1	0.9
1985	100.0	95.8	3.2	0.1	0.9

R—Revised

Total Net Assets of Equity, Bond and Income Funds by Fund Characteristics

Year-End (In Millions of Dollars)

	1984		1985	
	Dollars	**Percent**	**Dollars**	**Percent**
TOTAL NET ASSETS	**$137,126.2**	**100.0%**	**$251,695.1**	**100.0%**
Method of Sale				
Sales Force	$ 89,966.7	65.6%	$174,735.8	69.4%
Direct Marketing	42,249.5	30.8	69,239.2	27.5
Variable Annuity	1,959.5	1.4	2,409.5	1.0
Not Offering Shares	2,950.5	2.2	5,310.6	2.1
Investment Objective				
Aggressive Growth	$ 14,150.3	10.3%	$ 20,062.9	8.0%
Growth	26,734.8	19.5	35,096.2	13.9
Growth & Income	31,588.3	23.0	44,994.4	17.9
Precious Metals	375.6	0.3	1,497.9	0.6
International	5,223.0	3.8	7,988.4	3.2
Balanced	2,903.7	2.1	4,095.3	1.6
Income	7,056.9	5.1	10,994.8	4.4
Option/Income	3,394.6	2.5	5,633.3	2.2
Government Income	6,384.6	4.7	40,017.9	15.9
Ginnie Mae	3,963.9	2.9	17,857.8	7.1
Corporate Bond	14,560.9	10.6	24,012.2	9.5
Long-Term Municipal Bond	16,007.0	11.7	27,924.7	11.1
Single State Municipal Bond	4,782.6	3.5	11,519.5	4.6

Liquid Assets of Equity, Bond and Income Funds by Fund Characteristics

Year-End (In Millions of Dollars)

	1984		1985	
	Dollars	**Percent**	**Dollars**	**Percent**
NET CASH & EQUIVALENT	**$12,180.6**	**100.0%**	**$20,606.9**	**100.0%**
Method of Sale				
Sales Force	$ 8,026.6	65.9%	$ 14,812.9	71.9%
Direct Marketing	3,646.7	29.9	5,058.6	24.5
Variable Annuity	121.0	1.0	156.9	0.8
Not Offering Shares	386.3	3.2	578.5	2.8
Investment Objective				
Aggressive Growth	$ 1,317.1	10.8%	$ 1,180.8	5.7%
Growth	2,844.7	23.4	3,372.3	16.4
Growth & Income	2,539.7	20.9	4,805.5	23.3
Precious Metals	39.4	0.3	98.1	0.5
International	556.4	4.6	906.5	4.4
Balanced	124.0	1.0	283.7	1.4
Income	443.2	3.6	808.1	3.9
Option/Income	353.3	2.9	527.3	2.6
Government Income	1,349.0	11.1	5,886.2	28.6
Ginnie Mae	155.2	1.3	192.8	0.9
Corporate Bond	991.1	8.1	1,361.3	6.6
Long-Term Municipal Bond	1,303.9	10.7	977.5	4.7
Single State Municipal Bond	163.6	1.3	206.6	1.0

Total Net Assets of Mutual Funds by Investment Objective within Method of Distribution

1984–1985

(In Millions of Dollars)

	Aggressive Growth	Growth	Growth & Income	Precious Metals	International	Balanced	Income	Option/ Income	Government Income	Ginnie Mae	Corporate Bond	Long-Term Municipal Bond	Single State Municipal Bond	TOTAL
Sales Force														
1984	$ 6,601.8	$17,195.8	$18,351.3	$180.2	$4,093.5	$2,044.0	$5,175.9	$3,300.9	$ 6,076.4	$ 3,570.8	$11,798.7	$ 7,970.9	$3,607.0	$ 89,966.7
1985	8,047.0	22,286.7	25,561.5	975.4	5,925.6	2,807.0	7,229.1	5,516.7	38,808.8	15,655.6	18,398.7	15,118.8	8,404.9	174,735.8
Direct Marketing														
1984	$ 7,383.5	$ 7,536.2	$11,554.1	$195.4	$ 896.5	$ 859.7	$1,563.9	$ 82.5	$ 266.4	$ 324.4	$ 2,375.2	$ 8,036.2	$1,175.5	$ 42,249.5
1985	11,527.1	9,952.1	17,261.2	522.4	1,785.0	1,266.7	3,323.8	108.6	1,024.2	1,892.7	4,654.8	12,805.9	3,114.6	69,239.2

Distribution of Mutual Fund Assets in Equity, Bond and Income Funds Year-End, 1970—1985

(Millions of Dollars)

Year	Total Net Assets	Net Cash & Equivalent	Corporate Bonds	Preferred Stocks	Common Stocks	Municipal Bonds	Long Term US Gov't.	Other
1970	$47,618	$3,124	$4,286	$1,143	$38,540	NA	NA	$525
1971	55,045	2,601	4,910	1,206	45,891	NA	NA	437
1972	59,831	2,598	5,068	993	50,735	NA	NA	437
1973	46,519	3,426	4,196	623	37,698	NA	NA	576
1974	34,062	3,357	3,611	426	26,103	NA	NA	565
1975	42,179	3,209	4,766	506	33,158	NA	NA	540
1976	47,582	2,352	6,977	655	37,158	NA	NA	440
1977	45,049	3,274	6,475	418	30,746	$2,256	$1,295	585
1978	44,980	4,507	5,545	405	30,678	2,550	1,093	202
1979	48,980	4,995	5,582	443	34,334	2,651	798	177
1980	58,400	5,321	6,582	531	41,561	2,866	1,433	106
1981	55,207	5,277	7,489	399	36,649	3,046	2,147	200
1982	76,841	6,040	10,833	1,628	47,720	6,797	3,752	71
1983	113,599	8,343	13,052	1,474	72,942	13,368	3,894	526
1984	137,126	11,978	15,018	1,627	81,597	18,522	8,009	375
1985	251,695	20,607	24,961	3,773	119,698	38,339	43,472	846
			(PERCENTAGES)					
1970	100.0%	6.6%	9.0%	2.4%	80.9%	NA	NA	1.1%
1971	100.0	4.7	8.9	2.2	83.4	NA	NA	0.8
1972	100.0	4.3	8.5	1.7	84.8	NA	NA	0.7
1973	100.0	7.4	9.0	1.3	81.0	NA	NA	1.3
1974	100.0	9.9	10.6	1.2	76.6	NA	NA	1.7
1975	100.0	7.6	11.3	1.2	78.6	NA	NA	1.3
1976	100.0	4.9	14.7	1.4	78.1	NA	NA	0.9
1977	100.0	7.3	14.4	0.9	68.2	5.0%	2.9%	1.3
1978	100.0	10.0	12.3	0.9	68.2	5.7	2.4	0.5
1979	100.0	10.2	11.4	0.9	70.1	5.4	1.6	0.4
1980	100.0	9.1	11.3	0.9	71.2	4.9	2.4	0.2
1981	100.0	9.5	13.6	0.7	66.4	5.5	3.9	0.4
1982	100.0	7.9	14.1	2.1	62.1	8.8	4.9	0.1
1983	100.0	7.3	11.5	1.3	64.2	11.8	3.4	0.5
1984	100.0	8.7	11.0	1.2	59.5	13.5	5.8	0.3
1985	100.0	8.2	9.9	1.5	47.6	15.2	17.3	0.3

An Overview: Sales, Redemptions and Net Sales of Equity, Bond and Income Funds

1970-1985

(In Millions of Dollars)

Calendar Year	Sales	Redemptions	Net Sales
1970	$4,625.8	$2,987.6	$1,638.2
1971	5,147.2	4,750.2	397.0
1972	4,892.5	6,562.9	(1,670.4)
1973	4,359.3	5,651.1	(1,291.8)
1974	3,091.5	3,380.9	(289.4)
1975	3,307.2	3,686.3	(379.1)
1976	4,360.5	6,801.2	(2,440.7)
1977	6,399.6	6,026.0	373.6
1978	6,705.3	7,232.4	(527.1)
1979	6,826.1	8,005.0	(1,178.9)
1980	9,993.7	8,200.0	1,793.7
1981	9,710.4	7,470.4	2,240.0
1982	15,738.3	7,571.8	8,166.5
1983	40,325.1	14,677.6	25,647.5
1984	45,856.8R	20,030.1R	25,826.7
1985	114,313.5	33,763.3	80,550.2

R – Revised

Comparable data for short-term funds can be found on page 78.

Sales of Equity, Bond and Income Funds by Fund Characteristics

(In Millions of Dollars)

	1984		1985	
	Dollars	Percent	Dollars	Percent
SALES	**$45,856.8**	**100.0%**	**$114,313.5**	**100.0%**
Type of Sales:				
Regular Single Payment	$ 41,026.8	89.5%	$ 106,356.5	93.0%
Contractual Accumulation Plan	160.1	0.3	201.2	0.2
Contractual Single Payment	14.9	0.0	28.2	0.0
Reinvested Investment Income	4,655.0	10.2	7,727.6	6.8
Method of Sales:				
Sales Force	$ 29,864.6	65.1%	$ 85,339.3	74.6%
Direct Marketing	15,259.5	33.3	27,270.3	23.9
Not Offering Shares	21.8	0.0	32.2	0.0
Variable Annuity	711.0	1.6	1,669.6	1.5
Investment Objective:				
Aggressive Growth	$ 4,246.6	9.3%	$ 6,776.6	5.9%
Growth	5,289.4	11.5	7,187.4	6.3
Growth & Income	6,808.2	14.9	10,353.4	9.1
Precious Metals	247.5	0.5	608.7	0.5
International	1,580.5	3.4	1,870.2	1.6
Balanced	226.4	0.5	890.0	0.8
Income	2,883.1	6.3	5,752.2	5.0
Option/Income	1,869.1	4.1	2,779.4	2.4
Government Income	5,786.0	12.6	36,072.1	31.6
Ginnie Mae	2,863.5	6.2	13,213.3	11.6
Corporate Bond	4,260.3	9.3	9,387.0	8.2
Long-Term Municipal Bond	7,271.8	15.9	12,628.9	11.0
Single State Municipal Bond	2,524.5	5.5	6,794.3	5.9

Sales of Mutual Funds by Investment Objective within Method of Distribution

1984–1985

(In Millions of Dollars)

	Aggressive Growth	Growth	Growth & Income	Precious Metals	International	Balanced	Income	Option/ Income	Government Income	Ginnie Mae	Corporate Bond	Long-Term Municipal Bond	Single State Municipal Bond	TOTAL
Sales Force														
1984	$1,447.8	$3,423.5	$2,888.4	$ 81.0	$1,124.7	$141.5	$2,044.7	$1,813.4	$ 5,669.6	$2,678.3	$3,263.1	$3,671.6	$1,617.0	$29,864.6
1985	1,491.5	4,622.7	5,346.5	223.5	1,302.6	629.5	4,111.0	2,713.7	35,103.9	11,718.8	6,695.1	6,694.3	4,686.0	85,339.1
Direct Marketing														
1984	$2,730.9	$1,552.4	$3,809.0	$166.5	$ 450.7	$ 84.8	$ 722.0	$ 50.4	$ 87.6	$ 171.4	$ 926.1	$3,600.2	$ 907.5	$15,259.5
1985	5,144.9	2,052.0	4,804.0	385.3	563.3	259.3	1,463.8	64.0	826.9	1,281.7	2,385.6	5,932.3	2,108.3	27,270.4

Sales and Reinvested Dividends by Fund Characteristics

1984–1985

(In Millions of Dollars)

	Total Sales	Total Reinvested Dividends	Sales Less Reinvested Dividends
1984			
Total	**$45,856.8**	**$4,655.0**	**$41,201.8**
Method of Sales			
Sales Force	$ 29,864.6	$ 3,092.6	$ 26,772.0
Direct Marketing	15,259.5	1,438.3	13,821.2
Variable Annuity	711.0	111.6	599.4
Not Offering Shares	21.8	12.6	9.2
Investment Objective			
Aggressive Growth	$ 4,246.2	$ 195.5	$ 4,050.7
Growth	5,289.4	641.7	4,647.7
Growth & Income	6,808.2	888.5	5,919.7
Precious Metals	247.5	6.8	240.7
International	1,580.5	96.7	1,483.8
Balanced	226.4	130.8	95.6
Income	2,883.1	291.7	2,591.4
Option/Income	1,869.1	88.6	1,780.5
Government Income	5,786.0	120.4	5,665.6
Ginnie Mae	2,863.5	131.6	2,731.9
Corporate Bond	4,260.3	1,048.4	3,211.9
Long-Term Municipal Bond	7,271.8	836.0	6,435.8
Single State Municipal Bond	2,524.5	178.0	2,346.5
1985			
Total	**$114,313.5**	**$7,729.8**	**$106,583.7**
Method of Sales			
Sales Force	$ 85,339.1	$ 5,527.2	$ 79,811.9
Direct Marketing	27,270.4	2,041.3	25,229.1
Variable Annuity	1,671.8	147.9	1,523.9
Not Offering Shares	32.2	13.4	18.8
Investment Objective			
Aggressive Growth	$ 6,776.6	$ 263.3	$ 6,513.3
Growth	7,187.4	657.8	6,529.6
Growth & Income	10,353.4	1,074.7	9,278.7
Precious Metals	608.8	45.9	562.9
International	1,870.2	159.3	1,710.9
Balanced	890.0	138.5	751.5
Income	5,752.2	551.0	5,201.2
Option/Income	2,779.4	254.0	2,525.4
Government Income	36,072.1	1,144.6	34,927.5
Ginnie Mae	13,213.4	499.9	12,713.5
Corporate Bond	9,387.0	1,383.3	8,003.7
Long-Term Municipal Bond	12,628.9	1,196.3	11,432.6
Single State Municipal Bond	6,794.3	361.2	6,433.1

Equity, Bond and Income Funds' Distributions to Shareholders

(In Millions of Dollars)

Year	Distributions From	
	Net Investment Income	Net Realized Capital Gains
1970	$1,414.1	$ 922.1
1971	1,330.7	775.5
1972	1,286.6	1,402.6
1973	1,300.2	943.3
1974	1,553.2	484.3
1975	1,449.1	219.2
1976	1,580.0	470.9
1977	1,789.7	634.8
1978	2,116.0	710.6
1979	2,451.4	929.9
1980	2,669.0	1,774.2
1981	3,143.0	2,697.2
1982	3,832.9	2,350.1
1983	4,981.0	4,391.6
1984	7,238.4	6,019.2
1985	12,864.2	5,017.7

Annual Redemption Rate for Equity, Bond and Income Funds

1970-1985

(In Millions of Dollars)

Year	Average Total Net Assets	Redemptions	Redemption Rate
1970	$ 47,954	$ 2,988	6.2%
1971	51,332	4,750	9.3
1972	57,438	6,563	11.4
1973	53,175	5,651	10.6
1974	40,290	3,381	8.4
1975	38,120	3,686	9.7
1976	44,880	6,801	15.2
1977	46,316	6,026	13.0
1978	45,014	7,232	16.4
1979	46,980	8,005	17.0
1980	53,690	8,200	15.3
1981	56,803	7,470	13.2
1982	66,024	7,572	11.5
1983	95,220	14,678	15.4
1984	125,362	20,030	16.0
1985	194,411	33,763	17.4

NOTE: "Average" Value Assets are an average of values at the beginning of the year and at the end of the year. The redemption rate is the dollar redemption volume as a percent of average assets.

Redemptions of Equity, Bond and Income Funds by Fund Characteristics

(In Millions of Dollars)

	1984		1985	
	Dollars	Percent	Dollars	Percent
REDEMPTIONS	**$20,030.1**	**100.0%**	**$ 33,763.3**	**100.0%**
Type of Redemptions				
Regular Account	$ 19,851.3	99.1%	$ 33,504.4	99.2%
Contractual Account	178.7	0.9	258.9	0.8
Method of Sales:				
Sales Force	$ 12,408.3	61.9%	$ 20,843.5	61.7%
Direct Marketing	7,204.3	35.1	11,500.9	34.1
Not Offering Shares	166.7	0.8	521.3	1.5
Variable Annuity	430.5	2.1	896.8	2.7
Investment Objective:				
Aggressive Growth	$ 2,852.1	14.2%	$ 4,931.6	14.6%
Growth	3,575.8	17.9	5,829.4	17.3
Growth & Income	3,274.6	16.3	4,943.3	14.6
Precious Metals	77.6	0.4	481.5	1.4
International	593.8	3.0	1,128.4	3.3
Balanced	288.5	1.4	277.7	0.8
Income	2,061.8	10.3	3,004.4	8.9
Option/Income	291.5	1.5	687.7	2.0
Government Income	691.0	3.4	4,327.0	12.8
Ginnie Mae	421.7	2.1	1,620.5	4.8
Corporate Bond	1,793.5	9.0	2,234.4	6.6
Long-Term Municipal Bond	3,591.5	17.9	3,312.2	9.8
Single State Municipal Bond	516.8	2.6	985.3	2.9

Redemptions of Mutual Funds by Investment Objective within Method of Distribution

1984–1985

(In Millions of Dollars)

	Aggressive Growth	Growth	Growth & Income	Precious Metals	International	Balanced	Income	Option/ Income	Government Income	Ginnie Mae	Corporate Bond	Long-Term Municipal Bond	Single State Municipal Bond	TOTAL
Sales Force														
1984	$ 911.5	$2,217.0	$2,026.8	$ 16.2	$467.0	$208.4	$1,622.2	$264.1	$ 614.7	$ 383.1	$1,350.4	$1,977.9	$348.9	$12,408.3
1985	1,483.7	3,643.5	2,637.5	159.9	845.6	197.7	135.7	630.1	4,177.6	1,520.9	1,614.8	1,260.9	535.9	20,843.5
Direct Marketing														
1984	$1,911.9	$1,113.3	$1,054.2	$ 61.3	$112.6	$ 80.1	$ 399.8	$ 24.3	$ 63.1	$ 38.6	$ 383.9	$1,613.6	$167.9	$ 7,024.6
1985	3,373.7	1,797.7	1,797.7	321.6	260.5	80.0	584.4	54.3	136.8	97.4	555.6	2,050.4	449.7	11,500.9

Sales of Equity, Bond and Income Fund Shares by State and Geographical Regions within Method of Distribution 1985

(In Thousands of Dollars)

	Sales Force	Direct Marketing	Total
New England	**$ 6,662,072**	**$ 4,083,491**	**$ 10,745,563**
Connecticut	2,184,752	711,948	2,896,700
Maine	291,724	82,098	373,822
Massachusetts	3,372,516	2,962,781	6,335,297
New Hampshire	320,169	132,802	452,971
Rhode Island	321,824	125,473	447,297
Vermont	171,087	68,389	239,476
Middle Atlantic	**$16,856,957**	**$ 5,153,799**	**$ 22,010,856**
New Jersey	4,979,866	1,101,923	6,081,789
New York	7,936,495	3,197,611	11,134,106
Pennsylvania	3,940,596	854,265	4,794,861
East North Central	**$13,612,979**	**$ 3,706,224**	**$ 17,319,203**
Illinois	3,914,091	1,397,448	5,311,839
Indiana	1,393,980	349,590	1,743,570
Michigan	3,152,261	705,557	3,857,818
Ohio	3,349,864	882,518	4,232,382
Wisconsin	1,802,783	370,811	2,173,594
West North Central	**$ 7,710,316**	**$ 1,232,167**	**$ 8,942,483**
Iowa	1,257,076	114,178	1,371,254
Kansas	942,498	138,923	1,081,421
Minnesota	2,060,789	416,299	2,477,088
Missouri	2,090,482	435,844	2,526,326
Nebraska	746,128	84,311	830,439
North Dakota	273,055	20,336	293,391
South Dakota	340,288	22,276	362,564
South Atlantic	**$12,366,252**	**$ 4,169,973**	**$ 16,536,225**
Delaware	302,727	102,779	405,506
District of Columbia	479,832	242,772	722,604
Florida	5,280,939	1,289,450	6,570,389
Georgia	1,395,227	390,174	1,785,401
Maryland	1,287,171	1,016,524	2,303,695
North Carolina	1,196,105	270,589	1,466,694
South Carolina	524,727	145,866	670,593
Virginia	1,556,850	653,376	2,210,226
West Virginia	342,674	58,443	401,117

Sales of Equity, Bond and Income Fund Shares by State and Geographical Regions within Method of Distribution 1985

(In Thousands of Dollars)

	Sales Force	Direct Marketing	Total
East South Central	**$ 2,928,566**	**$ 451,979**	**$ 3,380,545**
Alabama	526,565	93,350	619,915
Kentucky	843,000	109,190	952,190
Mississippi	354,426	60,986	415,412
Tennessee	1,204,575	188,453	1,393,028
West South Central	**$ 6,001,379**	**$ 1,882,628**	**$ 7,884,007**
Arkansas	415,792	85,927	501,719
Louisiana	1,048,726	205,646	1,254,372
Oklahoma	857,550	137,674	995,224
Texas	3,679,311	1,453,381	5,132,692
Mountain	**$ 4,933,080**	**$ 974,178**	**$ 5,907,258**
Arizona	1,457,935	276,370	1,734,305
Colorado	1,338,971	315,182	1,654,153
Idaho	319,309	36,817	356,126
Montana	503,510	28,604	532,114
Nevada	357,866	124,726	482,592
New Mexico	324,124	99,004	423,128
Utah	399,274	65,851	465,125
Wyoming	232,091	27,624	259,715
Pacific	**$13,601,766**	**$ 4,583,463**	**$ 18,185,229**
Alaska	130,387	30,225	160,612
California	9,531,601	3,836,440	13,368,041
Hawaii	230,876	72,147	303,023
Oregon	1,414,311	153,167	1,567,478
Washington	2,294,591	491,484	2,786,075
U.S. Territories & Possessions	**$ 57,947**	**$ 23,505**	**$ 81,452**
Canada	**$ 61,000**	**$ 15,960**	**$ 76,960**
Other Countries	**$ 905,819**	**$ 636,177**	**$ 1,541,996**
Total	**$85,698,133**	**$26,913,544**	**$112,611,677**

Sales of Equity, Bond, and Income Fund Shares by State and Geographical Regions Within Method of Distribution 1985

(Percent of Total)

	Sales Force	Direct Marketing	Total
New England	**7.77%**	**15.17%**	**9.54%**
Connecticut	2.55	2.65	2.57
Maine	0.34	0.31	0.33
Massachusetts	3.94	11.01	5.63
New Hampshire	0.37	0.49	0.40
Rhode Island	0.37	0.46	0.40
Vermont	0.20	0.25	0.21
Middle Atlantic	**19.67%**	**19.15%**	**19.55%**
New Jersey	5.81	4.10	5.40
New York	9.26	11.88	9.89
Pennsylvania	4.60	3.17	4.26
East North Central	**15.88%**	**13.77%**	**15.38%**
Illinois	4.56	5.19	4.72
Indiana	1.63	1.30	1.55
Michigan	3.68	2.62	3.42
Ohio	3.91	3.28	3.76
Wisconsin	2.10	1.38	1.93
West North Central	**9.00%**	**4.58%**	**7.94%**
Iowa	1.47	0.42	1.22
Kansas	1.10	0.52	0.96
Minnesota	2.40	1.55	2.20
Missouri	2.44	1.62	2.24
Nebraska	0.87	0.31	0.74
North Dakota	0.32	0.08	0.26
South Dakota	0.40	0.08	0.32
South Atlantic	**14.43%**	**15.49%**	**14.68%**
Delaware	0.35	0.38	0.36
District of Columbia	0.56	0.90	0.64
Florida	6.16	4.79	5.83
Georgia	1.63	1.45	1.58
Maryland	1.50	3.78	2.05
North Carolina	1.40	1.00	1.30
South Carolina	0.61	0.54	0.60
Virginia	1.82	2.43	1.96
West Virginia	0.40	0.22	0.36
East South Central	**3.42%**	**1.68%**	**3.00%**
Alabama	0.62	0.35	0.55
Kentucky	0.98	0.41	0.85
Mississippi	0.41	0.22	0.37
Tennessee	1.41	0.70	1.23

Sales of Equity, Bond, and Income Fund Shares by State and Geographical Regions Within Method of Distribution 1985

(Percent of Total)

	Sales Force	Direct Marketing	Total
West South Central	**7.00%**	**7.00%**	**7.00%**
Arkansas	0.49	0.32	0.45
Louisiana	1.22	0.77	1.11
Oklahoma	1.00	0.51	0.88
Texas	4.29	5.40	4.56
Mountain	**5.76%**	**3.62%**	**5.25%**
Arizona	1.70	1.03	1.54
Colorado	1.56	1.17	1.47
Idaho	0.37	0.14	0.32
Montana	0.59	0.11	0.47
Nevada	0.42	0.46	0.43
New Mexico	0.38	0.37	0.38
Utah	0.47	0.24	0.41
Wyoming	0.27	0.10	0.23
Pacific	**15.87%**	**17.03%**	**16.15%**
Alaska	0.15	0.11	0.14
California	11.12	14.25	11.87
Hawaii	0.27	0.27	0.27
Oregon	1.65	0.57	1.39
Washington	2.68	1.83	2.48
U.S. Territories & Possessions	**0.07%**	**0.09%**	**0.07%**
Canada	**0.07%**	**0.06%**	**0.07%**
Other Countries	**1.06%**	**2.36%**	**1.37%**
Total	**100%**	**100%**	**100%**

Total Purchases, Total Sales and Net Purchases of Portfolio Securities by Mutual Funds

1970-1985

(In Millions of Dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$ 20,405.0	$ 18,588.5	$ 1,816.5
1971	25,360.2	24,793.8	566.4
1972	24,467.6	25,823.6	(1,356.1)
1973	19,706.6	21,902.0	(2,196.4)
1974	12,299.7	12,213.5	86.2
1975	15,396.9	15,511.4	(114.5)
1976	15,348.2	16,881.2	(1,533.0)
1977	18,168.0	19,420.7	(1,252.7)
1978	20,945.6	23,069.7	(2,124.1)
1979	22,412.1	23,702.5	(1,290.4)
1980	32,987.2	32,080.6	906.6
1981	36,161.7	33,709.2	2,452.5
1982	55,682.0	47,920.7	7,761.3
1983	93,009.5	71,466.5	21,543.0
1984	119,272.4	98,929.6	20,342.8
1985	259,578.7	186,974.7	72,604.0

NOTE: Parentheses indicate net portfolio sales.

Total Purchases, Total Sales and Net Purchases of Common Stocks by Mutual Funds

1970-1985

(In Millions of Dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$17,127.6	$15,900.8	$ 1,266.9
1971	21,557.7	21,175.1	382.5
1972	20,943.5	22,552.8	(1,609.4)
1973	15,560.7	17,504.4	(1,943.7)
1974	9,085.3	9,372.1	(286.8)
1975	10,948.7	11,902.3	(953.6)
1976	10,729.1	13,278.3	(2,549.2)
1977	8,704.7	12,211.3	(3,506.6)
1978	12,832.9	14,454.7	(1,621.8)
1979	13,089.0	15,923.0	(2,834.0)
1980	19,893.8	21,799.9	(1,906,1)
1981	20,859.7R	21,278.3	(418.6)
1982	27,397.2	24,939.6	2,457.6
1983	54,581.7	40,813.9	13,767.8
1984	56,458.8R	50,375.9R	6,082.9R
1985	80,592.5	72,410.1	8,182.4

NOTE: Parentheses indicate net portfolio sales.
R – Revised

Total Purchases, Total Sales and Net Purchases of Securities Other Than Common Stocks by Mutual Funds

1970-1985

(In Millions of Dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$ 3,277.4	$ 2,687.7	$ 589.7
1971	3,802.5	3,618.6	183.9
1972	3,524.1	3,270.9	253.3
1973	4,145.9	4,398.7	(252.8)
1974	3,214.4	2,841.4	373.0
1975	4,448.2	3,609.1	839.1
1976	4,619.1	3,602.9	1,016.2
1977	9,463.3	7,209.4	2,253.9
1978	8,112.7	8,615.0	(502.3)
1979	9,323.1	7,779.5	1,543.6
1980	13,093.4	10,280.7	2,812.7
1981	15,302.0	12,430.9	2,871.1
1982	28,284.8	22,981.1	5,303.7
1983	38,427.7	30,652.6	7,775.1
1984	62,813.6R	48,553.7R	14,259.9
1985	178,986.2	114,564.6	64,421.6

NOTE: Parentheses indicate net portfolio sales.
R—Revised

Portfolio Purchases and Sales by Fund Characteristics

(In Millions of Dollars)

	1984		1985	
	Purchases	Sales	Purchases	Sales
All Securities	**$119,272.4**	**$98,929.6**	**$259,578.7**	**$186,974.7**
Method of Sales				
Sales Force	$ 82,206.2	$ 67,929.6	$195,110.1	$ 138,201.2
Direct Marketing	35,665.2	30,564.4	60,496.8	45,799.0
Not Offering Shares	220.9	282.8	260.4	404.9
Variable Annuities	1,180.2	896.6	3,709.2	2,569.6
Investment Objective				
Aggressive Growth	$ 12,880.6	$ 11,923.9	$ 18,271.5	$ 16,373.1
Growth	20,918.2	19,653.3	28,985.6	27,882.8
Growth & Income	17,836.8	16,122.5	24,915.0	22,423.5
Precious Metals	222.9	84.2	445.7	235.4
International	2,900.2	2,002.5	3,477.1	2,869.3
Balanced	2,502.6	2,671.9	2,945.1	2,468.0
Income	6,106.7	5,018.0	10,460.4	7,661.6
Option/Income	4,034.6	2,409.2	9,731.3	7,472.2
Government Income	10,459.2	5,648.5	79,297.7	51,438.9
Ginnie Mae	2,741.3	1,602.3	17,890.2	6,405.7
Corporate Bond	18,136.5	16,052.8	27,447.0	20,183.4
Long-Term Municipal Bond	16,878.5	13,791.7	26,918.0	18,296.1
Single State Municipal Bond	3,654.4	1,948.6	8,793.6	3,264.7
Common Stock Only	**$56,458.8**	**$50,375.9**	**$80,592.5**	**$72,410.1**
Method of Sales				
Sales Force	$ 36,257.9	$ 31,745.1	$ 50,718.5	$ 46,126.1
Direct Marketing	19,296.8	17,760.9	27,766.2	24,579.2
Not Offering Shares	152.0	255.6	225.1	357.6
Variable Annuities	752.1	614.3	1,882.1	1,347.2
Investment Objective				
Aggressive Growth	$ 12,102.6	$ 11,309.9	$ 17,546.9	$ 15,679.1
Growth	19,456.0	17,666.9	26,113.2	24,819.8
Growth & Income	14,629.7	13,366.8	18,745.8	17,844.4
Precious Metals	215.5	82.5	406.0	216.6
International	2,519.6	1,694.1	2,990.7	2,383.7
Balanced	1,083.0	1,440.6	1,339.9	1,054.1
Income	2,373.6	2,380.9	3,699.2	3,069.9
Option/Income	3,942.3	2,272.4	9,526.2	7,187.6
Government Income	0.0	0.0	0.0	0.0
Ginnie Mae	0.0	0.0	0.0	0.0
Corporate Bond	136.6	161.6	224.6	154.6
Long-Term Municipal Bond	0.0	0.0	0.0	0.0
Single State Municipal Bond	0.0	0.0	0.0	0.0

Total Short-Term Funds*

1980–1985

(In Millions of Dollars)

Year End	Total Sales	Total Redemptions	Net Sales	Number of Funds	Total Accounts Outstanding	Total Net Assets
1980	$237,427.7	$207,877.7	$ 29,550.2	106	4,762,103	$ 76,361.3
1981	462,422.6	354,972.1	107,450.5	179	10,323,466	186,158.2
1982	611,202.9	580,778.4	30,424.5	318	13,258,143	219,837.5
1983	507,447.0	551,151.3	(43,704.3)	373	12,539,688	179,386.5
1984	634,226.7	586,992.4	47,234.3	427	13,844,697	233,553.8
1985	839,499.1	831,121.2	8,377.6	460	14,954,726	243,802.4

* Figures are totals for money market and short-term municipal bond funds.

Comparable data for long-term funds can be found on page 62.

An Overview: Money Market Funds*

1974–1985

(In Millions of Dollars)

Year End	Total Sales	Total Redemptions	Net Sales	Number of Funds	Total Accounts Outstanding	Average Maturity (Days)	Total Net Assets
1974	$ 2,232.0	$ 556.0	$ 1,676.0	15	n.a.	n.a.	$ 1,715.1
1975	6,748.7	5,883.9	864.0	36	208,777	93	3,695.7
1976	9,360.9	9,609.2	(248.3)	48	180,676	110	3,685.8
1977	10,673.0	10,662.7	10.3	50	177,522	76	3,887.7
1978	30,452.2	24,294.5	6,157.8	61	467,803	42	10,858.0
1979	111,855.1	78,363.4	33,491.7	76	2,307,852	34	45,214.2
1980	232,172.8	204,068.5	28,104.5	96	4,745,572	24	74,447.7
1981	451,889.5	346,701.5	105,188.0	159	10,282,095	34	181,910.4
1982	581,759.9	559,581.1	22,177.8	281	13,101,347	37	206,607.5
1983	462,978.7	508,729.9	(45,751.2)	307	12,276,639	37	162,549.5
1984	571,959.3	531,050.9	40,908.4	329	13,556,180	43	209,731.9
1985	730,073.8	732,343.0	(2,269.2)	348	14,435,386	37	207,535.3

* A small percentage of funds report assets and liquid assets but not sales and redemptions. In the interest of comparability, these latter two sets of figures have been adjusted upward.

An Overview: Short-Term Municipal Bond Funds

1980–1985

(In Millions of Dollars)

Year End	Total Sales	Total Redemptions	Net Sales	Number of Funds	Total Accounts Outstanding	Total Net Assets
1980	$ 5,254.9	$ 3,809.2	$ 1,445.7	10	16,531	$ 1,913.6
1981	10,533.1	8,270.6	2,262.5	20	41,371	4,247.8
1982	29,444.0	21,197.3	8,246.7	37	156,796	13,230.0
1983	44,468.3	42,421.4	2,046.9	66	263,049	16,837.0
1984	62,267.4	55,941.5	6,325.9	97	288,517	23,821.9
1985	109,425.0	98,778.2	10,646.8	112	519,340	36,267.1

Money Market Fund Monthly Assets

(In Thousands of Dollars)

	Total	General Purpose	Broker/Dealer	Institutional
1980				
January	$ 53,053,721	$14,165,119	$ 27,961,559	$10,927,043
February	60,303,669	16,107,424	32,323,309	11,872,936
March	60,535,358	16,892,721	32,192,209	11,450,728
April	60,726,649	17,219,057	31,540,546	11,967,046
May	70,013,646	19,586,491	35,178,910	15,248,245
June	76,168,424	21,036,493	37,187,010	17,944,921
July	80,624,317	22,071,688	38,966,370	19,586,259
August	79,309,035	21,732,989	39,769,532	17,806,514
September	77,431,775	21,493,791	39,728,775	16,209,209
October	77,467,785	21,782,900	40,654,957	15,029,928
November	76,458,979	21,605,381	40,530,501	14,323,097
December	74,447,699	21,717,614	38,987,976	13,742,109
1981				
January	$ 84,974,126	$24,313,853	$ 44,891,267	$15,769,006
February	96,699,487	27,434,889	50,966,137	18,298,461
March	111,544,415	30,927,719	59,279,296	21,337,400
April	118,392,046	33,892,442	63,597,405	20,902,199
May	117,913,527	35,260,726	63,325,273	19,327,528
June	126,507,991	37,980,311	67,744,358	20,783,322
July	139,389,131	42,592,977	74,234,489	22,561,665
August	149,429,287	46,410,808	78,826,824	24,191,655
September	160,839,979	49,650,309	83,400,928	27,788,742
October	169,576,477	52,036,516	87,485,670	30,054,291
November	181,636,314	54,240,432	93,690,962	33,704,920
December	181,910,360	55,782,229	93,697,125	32,431,006
1982				
January	$187,202,446	$57,831,046	$ 97,646,161	$31,725,239
February	186,307,172	58,984,576	96,058,193	31,264,403
March	191,470,704	60,654,962	99,568,439	31,247,303
April	192,225,693	60,980,342	99,498,533	31,746,818
May	200,668,391	63,969,464	102,460,571	34,238,356
June	201,849,450R	66,209,434R	102,944,300	32,695,716
July	213,365,037	68,715,445	105,933,133	38,716,459
August	227,282,218	71,502,826	111,829,622	43,949,770
September	223,620,494	71,303,333	110,307,319	42,009,842
October	230,007,484	72,309,056	113,230,006	44,468,422
November	232,148,458R	73,503,258R	113,769,515R	44,875,685
December	206,607,524	67,130,705	100,019,373	39,457,446

Money Market Fund Monthly Assets

(In Thousands of Dollars)

	Total	General Purpose	Broker/Dealer	Institutional
1983				
January	$197,620,147	$62,573,072	$ 95,135,607	$39,911,468
February	189,419,364	59,514,944	91,290,500	38,613,920
March	180,310,630	57,231,859	87,414,036	35,664,735
April	171,501,807	53,982,147	82,631,115	34,888,545
May	169,650,900	53,194,588	81,727,890	34,728,422
June	164,630,550	52,308,708	79,373,424	32,948,418
July	164,406,920	52,532,383	78,929,583	32,944,954
August	164,663,713	53,161,938	78,364,219	33,137,556
September	163,005,997	51,903,516	77,520,264	33,582,217
October	165,528,857	52,704,642	77,809,728	35,014,487
November	165,500,917	52,783,150	77,391,834	35,325,933
December	162,549,514	53,023,186	75,265,142	34,261,186
1984				
January	$168,955,325	$53,302,249	$ 77,255,915	$38,397,161
February	172,403,704	55,439,033	78,373,431	38,591,240
March	173,777,254	56,778,999	78,442,419	38,555,836
April	173,143,256	57,450,715	77,776,734	37,915,807
May	178,010,140	59,937,310	78,578,464	39,494,366
June	177,630,684	59,761,858	78,547,493	39,321,333
July	180,656,677	60,706,498	80,319,989	39,630,190
August	179,405,342	59,172,520	81,058,351	39,174,471
September	782,760,124	59,565,291	81,629,965	41,564,868
October	195,348,205	61,450,302	85,643,321	48,254,582
November	206,880,033	63,461,044	89,153,379	54,265,610
December	209,731,894	64,418,670	90,729,624	54,583,600
1985				
January	$214,506,601	$64,054,249	$95,141,818	$55,310,534
February	210,284,846	63,917,764	95,350,490	51,016,592
March	206,708,367	63,971,608	94,461,725	48,275,034
April	207,795,769	62,543,351	93,061,345	52,191,073
May	212,600,984	62,158,107	93,708,519	56,734,358
June	211,815,456	61,557,021	94,200,660	56,057,775
July	208,827,389	61,035,850	94,721,370	53,070,169
August	208,356,239	61,446,776	94,289,570	52,619,893
September	206,524,421	61,740,172	93,416,808	51,367,441
October	208,318,271	61,265,105	93,524,551	53,528,615
November	208,107,794	60,814,533	93,609,462	53,683,799
December	207,535,297	60,380,469	93,199,396	53,955,432

Money Market Funds Asset Composition

Year-End, 1980–1985

(In Millions of Dollars)

	1980	1981	1982	1983	1984	1985
Total Net Assets	$74,447.7	$181,910.4	$206,607.5	$162,549.5	$209,738.4	$207,535.3
U.S. Treasury Bills	2,920.4	19,477.7	37,935.9	20,484.0	20,128.5	20,391.5
Other Treasury Securities	554.2	2,041.8	4,706.0	2,354.6	5,397.8	4,206.6
Other U.S. Securities	4,753.6	10,369.9	11,972.0	13,375.2	16,754.1	18,108.4
Repurchase Agreements	5,642.8	14,529.0	16,222.1	13,028.5	22,669.3	26,068.6
Commercial Bank CDs(1)	19,691.3	39,182.1	35,479.4	18,931.3	18,538.4	13,255.8
Other Domestic CDs(2)	1,330.1	4,683.3	5,310.9	5,107.4	5,196.8	3,579.0
Eurodollar CDs(3)	6,769.3	18,846.0	23,758.8	21,911.1	21,213.5	19,027.0
Commercial Paper	25,026.1	56,775.6	50,327.1	46,752.6	77,416.5	87,555.4
Bankers' Acceptances	6,534.6	13,623.7	18,776.1	19,586.2	20,668.0	11,573.3
Cash Reserves	165.9	(549.0)	278.3	(274.5)	(1,245.3)	154.8
Other	1,059.4	2,930.3	1,840.9	1,293.1	3,000.8	3,609.9
Average Maturity(4)	24	34	37	37	43	37
Number of Funds	96	159	281	307	329	348

(1) Commercial bank CDs are those issued by American banks located in the U.S.
(2) Other Domestic CDs include those issued by S&Ls and American branches of foreign banks.
(3) Eurodollar CDs are those issued by foreign branches of domestic banks and some issued by Canadian banks; this category includes some one day paper.
(4) Maturity of each individual security in the portfolio at end of month weighted by its value.

Comparable data for long-term funds can be found on pages 74–77.

Money Market Fund
Shareholder Accounts by Type of Fund

	General Purpose	Broker/ Dealer	Institutional	Total
1982				
January	4,652,057	5,766,007	254,459	10,672,523
February	4,845,944	5,892,148	256,584	10,994,676
March	5,021,280	5,963,158	263,915	11,248,353
April	5,186,793	6,087,227	262,833	11,536,853
May	5,315,595	6,372,108	265,394	11,953,097
June	5,492,488	6,506,277	240,245	12,239,010
July	5,564,298	6,658,739	238,705	12,461,742
August	5,720,386	6,903,310	237,530	12,861,226
September	5,783,350	6,905,146	239,207	12,927,703
October	5,830,207	7,139,428	239,665	13,209,300
November	5,867,058	7,203,273	238,029	13,308,360
December	5,837,845	7,034,965	228,537	13,101,347
1983				
January	5,621,083	7,024,884	231,590	12,877,557
February	5,525,854	6,933,173	219,510	12,678,537
March	5,408,618	6,932,706	218,254	12,559,578
April	5,325,423	7,039,858	225,411	12,590,692
May	5,346,117	7,097,985	216,271	12,660,373
June	5,246,043	7,003,408	207,691	12,457,142
July	5,146,181	7,019,351	200,886	12,366,418
August	5,095,785	7,157,883	197,388	12,451,056
September	5,037,438	7,113,704	191,247	12,342,389
October	5,012,358	7,200,671	186,439	12,399,468
November	5,008,190	7,156,259	182,074	12,346,523
December	4,962,006	7,136,947	177,686	12,276,639
1984				
January	4,930,250	7,223,824	171,747	12,325,821
February	4,951,287	7,296,680	170,996	12,418,963
March	4,908,210	7,368,907	172,907	12,450,024
April	4,950,102	7,666,677	167,936	12,784,715
May	4,955,839	7,735,243	164,034	12,855,116
June	4,967,531	7,794,062	148,142	12,909,735
July	4,969,828	7,902,975	145,229	13,018,032
August	4,930,962	7,966,082	138,712	13,035,756
September	4,951,656	8,022,118	136,083	13,109,857
October	4,998,060	8,184,845	133,434	13,316,339
November	5,037,041	8,164,665	130,459	13,332,165
December	5,028,623	8,398,919	128,638	13,556,180
1985				
January	5,023,162	8,523,450	121,852	13,688,464
February	5,025,724	8,632,625	122,870	13,781,219
March	4,994,876	8,752,744	114,350	13,861,970
April	5,013,613	9,135,643	120,436	14,269,692
May	4,953,516	9,197,504	111,319	14,262,339
June	4,922,023	9,244,749	112,036	14,278,808
July	4,898,810	9,394,805	117,138	14,410,753
August	4,900,495	9,435,718	132,451	14,468,664
September	4,885,572	9,434,034	142,204	14,461,810
October	4,864,170	9,464,960	145,947	14,475,077
November	4,827,407	9,450,008	139,186	14,416,601
December	4,797,925	9,503,382	134,079	14,435,386

Sales Due to Exchanges by Investment Objective

1984–1985

(In Millions of Dollars)

Investment Objective	1984	1985
Aggressive Growth	$ 3,425.1	$ 4,026.0
Growth	3,303.7	3,780.6
Growth & Income	4,931.4	6,999.1
Precious Metals	131.9	203.3
International	246.0	436.6
Balanced	10.6	85.4
Income	261.1	547.8
Option/Income	102.7	100.3
Government Income	180.0	647.5
Ginnie Mae	113.5	1,062.7
Corporate Bond	1,234.4	2,383.1
Long-Term Municipal Bond	2,882.2	3,974.1
Single State Municipal Bond	352.7	742.3
Short-Term Municipal Bond	2,052.5	3,692.9
Money Market	17,432.7	17,899.2

Redemptions Due to Exchanges by Investment Objective

1984–1985

(In Millions of Dollars)

Investment Objective	1984	1985
Aggressive Growth	$ 3,727.0	$ 4,298.7
Growth	3,553.9	4,302.4
Growth & Income	6,046.4	7,241.0
Precious Metals	121.6	177.6
International	190.8	242.2
Balanced	53.6	125.4
Income	296.0	522.8
Option/Income	55.5	158.0
Government Income	90.4	332.7
Ginnie Mae	150.2	407.3
Corporate Bond	1,402.4	1,919.2
Long-Term Municipal Bond	3,155.8	3,895.0
Single State Municipal Bond	300.8	538.1
Short-Term Municipal Bond	1,834.8	2,920.3
Money Market	16,118.7	19,755.9

Net Sales Due to Exchanges by Investment Objective

1984–1985

(In Millions of Dollars)

Investment Objective	1984	1985
Aggressive Growth	$(301.9)	$(272.7)
Growth	(250.2)	(521.8)
Growth & Income	(1,115.0)	(241.9)
Precious Metals	10.3	25.7
International	55.2	194.4
Balanced	(43.0)	(40.0)
Income	(34.9)	25.0
Option/Income	47.2	(57.7)
Government Income	89.6	314.8
Ginnie Mae	(36.7)	655.4
Corporate Bond	(168.0)	463.9
Long-Term Municipal Bond	(273.6)	79.1
Single State Municipal Bond	51.9	204.2
Short-Term Municipal Bond	217.7	772.6
Money Market	1,314.0	(1,856.7)

IRA Assets and Accounts by Investment Objective Year-End 1985

Investment Objective	Assets: Millions of Dollars	Assets: Percent	Accounts: Number (Thousands)	Accounts: Percent
Aggressive Growth	$4,146.5	13.2%	1,090.1	13.8%
Growth	4,321.4	13.7	1,106.1	14.0
Growth & Income	4,321.4	13.7	935.1	11.8
Precious Metals	274.8	0.9	155.0	2.0
International	1,149.0	3.7	240.5	3.0
Balanced	174.9	0.6	37.4	0.5
Income	624.5	2.0	117.6	1.5
Option/Income	824.3	2.6	192.4	2.5
Government Income	3,397.1	10.8	523.7	6.6
Ginnie Mae	2,173.2	6.9	342.0	4.3
Corporate Bond	3,572.0	11.3	603.8	7.6
Money Market	6,487.9	20.6	2,556.2	32.4
Total	**$31,467.0**	**100%**	**7,899.9**	**100%**

Self-Employed Retirement Plan Assets and Accounts by Investment Objective Year-End 1985

Investment Objective	Assets: Millions of Dollars	Assets: Percent	Accounts: Number (Thousands)	Accounts: Percent
Aggressive Growth	$ 848.3	10.7%	63.4	9.8%
Growth	1,696.7	21.4	84.9	13.2
Growth & Income	1,648.6	20.8	71.7	11.1
Precious Metals	30.1	0.4	4.6	0.7
International	180.5	2.3	11.6	1.8
Balanced	78.2	1.0	4.0	0.6
Income	252.7	3.2	12.5	2.0
Option/Income	48.1	0.6	3.6	0.6
Government Income	120.3	1.5	11.2	1.7
Ginnie Mae	252.7	3.2	17.2	2.7
Corporate Bond	860.4	10.9	45.6	7.1
Money Market	1,897.8	24.0	313.6	48.7
Total	**$7,914.4**	**100%**	**643.9**	**100%**

An Overview: Fiduciary, Business and Institutional Investors in Equity, Bond and Income Funds

Year	Reporting Companies' Assets (In Millions)	Percent Assets of Total Members' Assets	Reported Institutional Accounts In Force	Reported Value of Holdings (In Millions)	Reported Institutional Holdings as a Percent of Total Net Assets
1970	$ 32,631.1	68.5%	1,071,243	$ 6,174.0	18.9%
1972	44,696.4	74.7	1,119,243	8,906.9	19.9
1974	26,981.4	75.4	1,440,533	7,116.1	26.4
1976	39,342.2	77.3	1,346,490	10,719.7	27.2
1978	37,043.3	82.4	1,258,996	9,590.5	25.9
1980	45,763.2	78.4	1,023,101	12,855.9	28.1
1981	48,364.0	87.6	771,585	11,405,3	23.6
1982	66,569.2	86.7	953,483	16,232.7	24.4
1983	99,911.0	88.0	1,327,304R	23,314.8R	23.8R
1984	126,354.1	92.1	1,415,021	30,304.3	24.0
1985	213,821.7	85.0	2,066,265	52,697.9	24.6

NOTE: Prior to 1981, Keogh and IRA figures are included in institutional holdings. Institutional holdings as a percent of assets of reporting companies is slightly understated prior to 1974 due to limited reporting of Keogh information. Reported institutional accounts and value of holdings for 1981 and 1982 were used to derive universe estimates shown in the following tables which present institutional data in greater detail. The 1981 figures were revised to exclude Keogh and IRA. In the 1980 figures, Keogh and IRA accounted for about 30 percent of institutional accounts and 23 percent of institutional assets.

R – Revised

Number of Accounts of Fiduciary, Business and Institutional Investors in Equity, Bond and Income Funds

	1983	1984	1985
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**942,687**	**955,032**	**1,300,822**
Business Corporations	64,328	72,590	111,481
Retirement Plans	315,920	429,725	926,880
Insurance Companies and Other Financial Institutions	13,194	13,451	21,045
Unions	934	1,718	770
Total Business Organizations	**394,376**	**517,484**	**1,060,176**
Churches and Religious Organizations	10,275	9,018	11,108
Fraternal, Welfare and Other Public Associations	8,432	6,641	7,801
Hospitals, Sanitariums, Orphanages, Etc.	2,503	3,080	2,566
Schools and Colleges	4,822	4,291	4,415
Foundations	1,135	1,074	4,657
Total Institutions and Foundations	**27,167**	**24,104**	**30,547**
Other Institutional Investors Not Classified (a)	**59,092**	**88,112**	**65,887**
Total	**1,423,322**	**1,584,732**	**2,457,432**

(a) Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.

NOTE: Reporters of institutional data represented 83.7% of total shareholder accounts in 1983, 92.1% in 1984 and 83.3% in 1985. The figures shown above are universe-estimated based on those reports.

Number of Accounts of Fiduciary, Business and Institutional Investors in Money Market Funds

	1983	1984	1985
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**761,564**	**614,967**	**747,968**
Business Corporations	348,008	299,772	245,211
Retirement Plans	214,629	299,687	378,893
Insurance Companies and Other Financial Institutions	52,464	52,375	19,530
Unions	1,149	1,047	953
Total Business Organizations	**616,250**	**652,881**	**644,587**
Churches and Religious Organizations	21,069	19,435	15,746
Fraternal, Welfare and Other Public Associations	16,629	15,300	10,516
Hospitals, Sanitariums, Orphanages, Etc.	6,461	5,925	4,719
Schools and Colleges	6,664	6,009	5,516
Foundations	1,824	1,579	2,531
Total Institutions and Foundations	**52,647**	**48,248**	**39,028**
Other Institutional Investors Not Classified (a)	**117,939**	**41,385**	**45,062**
Total	**1,548,400**	**1,357,481**	**1,476,645**

(a) Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.

NOTE: Reporters of institutional data represented 78.9% of total accounts in 1983, 80.9% of total accounts in 1984, and 61.0% of total accounts in 1985.

Number of Accounts of Fiduciary, Business and Institutional Investors in Money Market Funds by Type of Fund

	General Purpose		Broker/Dealer		Institutional	
	1984	1985	1984	1985	1984	1985
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**317,715**	**288,689**	**181,642**	**362,434**	**115,610**	**96,845**
Business Corporations	133,608	126,504	159,742	113,547	6,422	5,160
Retirement Plans	121,799	179,228	175,078	198,003	2,810	1,662
Insurance Companies and Other Financial Institutions	13,996	12,037	35,627	6,228	2,752	1,265
Unions	304	216	723	723	20	14
Total Business Organizations	**269,707**	**317,985**	**371,170**	**318,501**	**12,004**	**8,101**
Churches and Religious Organizations	11,612	9,567	7,616	6,056	207	123
Fraternal, Welfare and Other Public Associations	6,906	6,731	8,208	3,656	186	129
Hospitals, Sanitariums, Orphanages, Etc.	2,956	2,411	2,873	2,171	96	137
Schools and Colleges	2,715	2,407	3,220	3,037	74	72
Foundations	334	590	1,229	1,915	16	26
Total Institutions and Foundations	**24,523**	**21,706**	**23,146**	**16,835**	**579**	**487**
Other Institutional Investors Not Classified (a)	**16,822**	**25,117**	**24,118**	**17,020**	**445**	**2,925**
Total	**628,767**	**653,497**	**600,076**	**714,790**	**128,638**	**108,358**

(a) Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.

Number of Accounts of Fiduciary, Business and Institutional Investors in Short-Term Municipal Bond Funds

	1983	1984	1985
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**19,804**	**18,166**	**35,585**
Business Corporations	3,487	3,926	5,629
Retirement Plans	226	1,080	121
Insurance Companies and Other Financial Institutions	3,715	4,213	1,092
Unions	11	8	7
Total Business Organizations	**7,439**	**9,227**	**6,849**
Churches and Religious Organizations	14	16	13
Fraternal, Welfare and Other Public Associations	24	30	33
Hospitals, Sanitariums, Orphanages, Etc.	13	28	34
Schools and Colleges	44	67	17
Foundations	1	1	2
Total Institutions and Foundations	**96**	**142**	**99**
Other Institutional Investors Not Classified (a)	**3,754**	**615**	**1,528**
Total	**31,093**	**28,150**	**44,061**

(a) Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.

NOTE: Short-term municipal bond fund reporters represented 81.3% of total accounts in 1983, 89.7% in 1984, and 59.7% in 1985.

Assets of Fiduciary, Business and Institutional Investors in Equity, Bond and Income Funds

(In Millions of Dollars)

	1983	1984	1985
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**$10,374.7**	**$13,720.2**	**$22,659.0**
Business Corporations	3,722.9	6,058.0	10,807.5
Retirement Plans	6,978.7	8,734.2	19,050.8
Insurance Companies and Other Financial Institutions	1,347.6	1,284.0	4,049.4
Unions	18.8	37.8	72.4
Total Business Organizations	**$12,068.0**	**$16,114.0**	**$33,980.1**
Churches and Religious Organizations	320.2	336.2	593.8
Fraternal, Welfare and Other Public Associations	336.2	303.9	477.3
Hospitals, Sanitariums, Orphanages, Etc.	111.9	136.8	267.9
Schools and Colleges	247.6	244.2	376.1
Foundations	74.3	81.4	265.8
Total Institutions and Foundations	**$ 1,090.2**	**$ 1,102.5**	**$ 1,980.9**
Other Institutional Investors Not Classified (a)	**$ 2,453.6**	**$ 2,676.9**	**$ 3,250.3**
Total	**$25,986.5**	**$33,613.6**	**$61,870.3**

(a) Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.

NOTE: Reporters of institutional data represented 88.0% of total net assets in 1983, 90.3% in 1984, and 85.0% in 1985.

Assets of Fiduciary, Business and Institutional Investors in Money Market Funds

(In Millions of Dollars)

	1983	1984	1985
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**$39,973.4**	**$60,868.3**	**$52,455.8**
Business Corporations	11,153.3	16,061.2	12,817.4
Retirement Plans	5,127.7	8,096.0	9,078.3
Insurance Companies and Other Financial Institutions	4,762.0	6,996.4	7,396.7
Unions	89.2	137.1	81.8
Total Business Organizations	**$21,132.2**	**$31,290.7**	**$29,374.2**
Churches and Religious Organizations	500.8	559.3	540.1
Fraternal, Welfare and Other Public Associations	528.8	700.8	377.6
Hospitals, Sanitariums, Orphanages, Etc.	424.3	611.5	444.8
Schools and Colleges	417.1	444.4	291.2
Foundations	92.7	68.3	278.9
Total Institutions and Foundations	**$ 1,963.7**	**$ 2,384.3**	**$ 1,932.6**
Other Institutional Investors Not Classified (a)	**$ 2,046.8**	**$ 1,127.6**	**$ 5,939.5**
Total	**$65,116.1**	**$95,670.9**	**$89,702.1**

(a) Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.

NOTE: Reporters of institutional data represented 76.1% of net assets in 1983, 78.3% in 1984 and 62.4% in 1985.

Assets of Fiduciary, Business and Institutional Investors in Money Market Funds By Type of Fund

	General Purpose		Broker/Dealer		Institutional	
	1984	1985	1984	1985	1984	1985
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**$10,054.1**	**$ 7,353.4**	**$ 3,581.2**	**$ 5,912.1**	**$47,233.0**	**$39,190.3**
Business Corporations	7,274.9	5,627.2	6,428.2	4,787.0	2,358.1	2,403.2
Retirement Plans	3,061.1	3,824.5	4,265.1	5,124.1	769.5	129.6
Insurance Companies and Other Financial Institutions	2,074.6	2,430.7	1,103.8	562.1	3,818.0	4,403.9
Unions	31.0	20.5	102.4	49.2	3.7	12.2
Total Business Organizations	**$12,441,6**	**$11,902.9**	**$11,899.5**	**$10,522.4**	**$ 6,949.6**	**$6,948.9**
Churches and Religious Organizations	299.3	312.0	214.9	176.0	45.1	52.1
Fraternal, Welfare and Other Public Associations	209.7	200.0	372.3	150.8	118.8	26.7
Hospitals, Sanitariums, Orphanages, Etc.	298.3	214.1	271.2	166.4	42.0	64.3
Schools and Colleges	174.2	144.7	150.9	117.9	119.3	26.7
Foundations	19.6	29.9	48.4	137.3	0.3	111.7
Total Institutions and Foundations	**$ 1,001.1**	**$ 900.7**	**$ 1,057.7**	**$ 748.4**	**$ 325.5**	**$ 283.5**
Other Institutional Investors Not Classified (a)	**$ 708.6**	**$ 1,936.0**	**$ 343.5**	**$ 457.0**	**$ 75.5**	**$ 3,546.5**
Total	**$24,205.4**	**$22,093.0**	**$16,881.9**	**$17,639.9**	**$54.583.6**	**$49,969.2**

(a) Includes institutional assets which do not fall under other classifications and those for which no determination of classification can be made.

Assets of Fiduciary, Business and Institutional Investors in Short-Term Municipal Bond Funds

	1983	1984	1985
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**$5,573.3**	**$ 7,431.7**	**$12,518.0**
Business Corporations	778.3	1,138.1	1,702.6
Retirement Plans	3.7	52.0	8.0
Insurance Companies and Other Financial Institutions	1,324.4	1,735.7	1,576.8
Unions	0.8	0.3	0.2
Total Business Organizations	**$2,107.2**	**$ 2,926.1**	**$3,287.6**
Churches and Religious Organizations	1.0	0.1	0.7
Fraternal, Welfare and Other Public Associations	4.5	0.9	2.3
Hospitals, Sanitariums, Orphanages, Etc.	0.3	1.0	1.1
Schools and Colleges	1.4	2.5	5.2
Foundations	0.1	0.1	0.0
Total Institutions and Foundations	**$ 7.3**	**$ 4.6**	**$ 9.3**
Other Institutional Investors Not Classified (a)	**$ 298.7**	**$ 165.0**	**$ 727.6**
Total	**$7,986.5**	**$10,527.4**	**$16,542.5**

(a) Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.

NOTE: Short-term municipal bond fund reporters represented 85.8% of total net assets in 1983, 89.7% in 1984 and 65.5% in 1985.

Assets of Major Institutions and Financial Intermediaries

(In Millions of Dollars)

	1981	1982	1983	1984	1985
Savings Institutions					
Commercial Banks	$1,808,700	$1,972,100	$2,093,800	$2,264,800R	$2,460,300
Credit Unions (a)	60,611	69,585	81,961	93,036R	118,010
Mutual Savings Banks	175,728	174,197	193,535	203,898R	216,793d
Savings & Loan Associations	664,167	707,646	771,705	978,514e	1,068,709e
Insurance					
Fire & Casualty	$ 226,733	$ 248,362	$ 274,000	$ 290,000R	$ 313,000E
Life	525,803	588,163	654,948	722,979R	802,024d
Investment Institutions					
Bank Administered Trusts (b)	$ 585,788	$ 689,040	$ 762,800	N/A	N/A
Closed-End Investment Companies	$ 7,068	$ 7,498	$ 8,218	$ 5,939	N/A
Mutual Funds (c)	241,365	296,600	292,985	370,680	495,498

a – Includes only federal or federally insured state credit unions serving natural persons.
b – Reflects only discretionary trusts and agencies.
c – Includes Short-Term Funds.
d – As of November 1985
e – FSLIC Insured Institutions
N/A – Not available
R – Revised
E – Estimated

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